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Mateon Therapeutics, Inc. (MATN)

Transfer of Coverage

Healthcare

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It's All About "FOCUS" Grasshopper; Assuming Coverage at Buy; $2 PT

Stock Data	03/10/2017
Rating	Buy
Price	$0.58
Exchange	NASDAQ
Price Target	$2.00
52-Week High	$0.85
52-Week Low	$0.30
Enterprise Value (M)	$(1.3)
Market Cap (M)	$15
Public Market Float (M)	23.7
Shares Outstanding (M)	26.5
3 Month Avg Volume	88,710
Short Interest (M)	0.66
Balance Sheet Metrics	
Cash (M)	$16.28
Total Debt (M)	$0.00
Total Cash/Share	$0.30
Book Value/Share	$0.71

EPS Diluted			
Full Year - Dec	2015A	2016E	2017E
1Q	(0.13)	(0.13)A	(0.13)
2Q	(0.13)	(0.14)A	(0.13)
3Q	(0.14)	(0.12)A	(0.11)
4Q	(0.15)	(0.12)	(0.11)
FY	(0.54)	(0.51)	(0.42)

Revenue ($M)			
Full Year - Dec	2015A	2016E	2017E
1Q	0.0	0.0A	0.0
2Q	0.0	0.0A	0.0
3Q	0.0	0.0A	0.0
4Q	0.0	0.0	0.0
FY	0.0	0.0	0.0

Quarterly EPS may not add to full year due to increases in share count and rounding.

CA4P looks like it could finally be ready for prime time with recurrent ovarian cancer. With several studies under the company's belt in several indications with encouraging hints of activity, CA4P has reached the pivotal stage of development in recurrent ovarian cancer. The randomized, Phase 2/3 FOCUS study, is based on positive Phase 2 data which showed a 52% improvement in progression free survival (PFS) in the intent-to-treat (ITT) population. Importantly, however, both prospective and post-hoc analyses have driven what we believe to be a well designed FOCUS study. These data, while counter intuitive, are based on increased PFS in patients who have larger tumors as well as being platinum-refractory vs. platinum-sensitive (more severe disease). From a commercialization standpoint, ovarian cancer has not seen a drug with a survival benefit in over 20 years.

Mechanism points to powerful "one-two punch" with Avastin-like drugs. Mateon's vascular disrupting agents (VDAs), CA4P and OXi4503, are based on targeting the established blood vessels withing a tumor. Anti-angiogenic approaches, such as Avastin, are based on targeting newly formed blood vessels within the tumor. As stated above, the increased efficacy in ovarian cancer patients with more severe disease appears counter intuitive. However it makes mechanistic sense to us as a more established, and larger tumor, provides more of a "target" for CA4P action and potential synergy with anti-angiogenesis approaches.

Long road for CA4P. Mateon's lead asset, CA4P, has been on a long road as we approach initial data from the Phase 2/3 FOCUS study in recurrent ovarian cancer. Earlier studies in analplastic thyroid cancer (ATC) and NSCLC had the outcomes of showing the drug's activity, in our belief. However, the data were based on a small number of patients, took a significant amount of time and expense, and some of the data conclusions were just not clear. The path forward for the drug seemed to languish for quite some time leading, in part, to diminished investor confidence.

OXi4503 a potential new option as AML field starts to gain momentum again. Mateons' next-generation VDA, OXi4503, is based on a dual mechanism of action: 1) VDA action; and 2) an active metabolite with cytotoxic activity. The drug is currently in the dose escalation portion of a Phase 1/2 study in treatment refractory AML, representing an ongoing medical need. Early data point to activity in later stage AML patients, and we expect progression to the Phase 2 portion of the study. Importantly, OXi4503 appears to exert the ability to "move" blasts from the bone marrow to the periphery, making them available to the killing action of other drugs such as cytarabine.

Valuation and risks to price target achievement. Our $2 price target is based on our clinical net present value (NPV) model, which is currently driven by the company's lead asset, CA4P. This model allows us to flex multiple assumptions affecting a drug's potential commercial profile. Factors which could impede reaching our price target include failed or inconclusive clinical trials or inability of the company to secure adequate funding to progress its drugs through the development pathway.

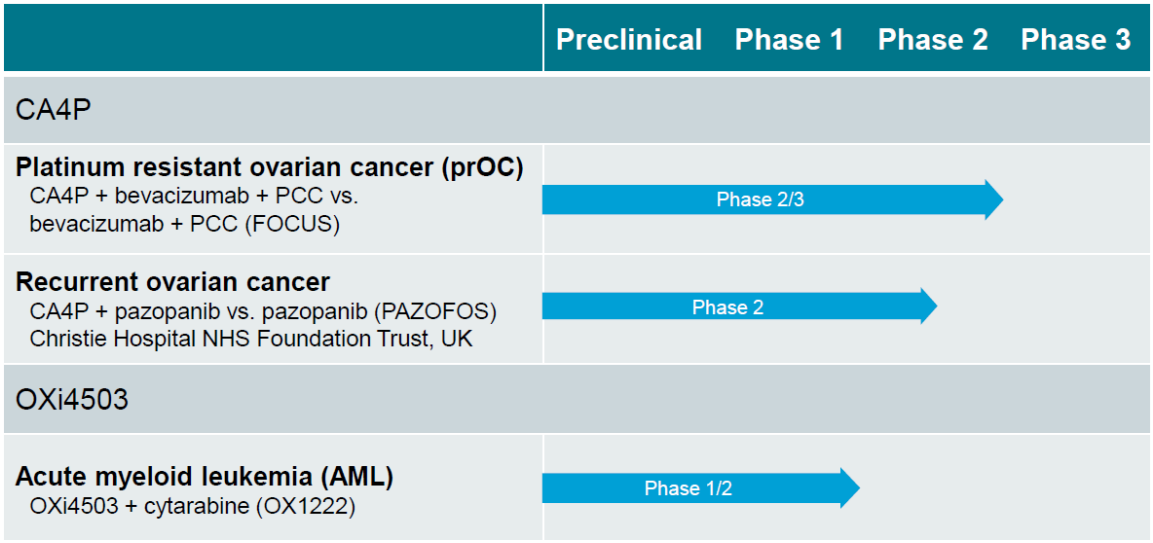
Company background

Mateon is based in San Francisco, California and is focused on the development and potential commercialization of vascular disrupting agents (VDAs). The company's assets are CA4P, which is in late stage development for ovarian cancer and OXi4503, and is in early stage development for AML. Targeting a tumor's blood supply was first described in the early 1970's and one of the leading anti-angiogenesis drugs, Avastin, bases its mechanism on targeting newly forming blood vessels (angiogenesis). VDAs differ from angiogenesis inhibitors in that they are designed to attacked the established vascular network of the tumor. Mechanistically, VDAs exert their action by cause the endothelial cells in tumor blood vessels to change shape and collapse. This leads to the shutting off of bloodflow, leading to cell death, which has been shown to be a rapid process by Mateon and others. As the company's clinical programs have progressed a key clinical strategy has been to provide tumors with a "one-two punch" with both an anti-angiogenic approach and a VDA approach (targeting both new and established tumor blood vessels, respectively).

The shares have seen greater than usual volatility, in our belief. Looking back, the shares saw a major spike in both price and volume based on the publication of the Phase 2 recurrent ovarian cancer data in the *Journal of Clinical Oncology* in May 2016. Subsequently, the shares began a consistent slide based on both general volatility in the biotech market and a restructuring of the company in June 2016 (including a name change from Oxigene). To this end, with a new company name and new focus on the ovarian cancer opportunity, we believe that the company entered a "show me" stage for investors.

We believe things are about to finally turn the corner for the CA4P story in ovarian cancer, based primarily on the learnings of the GOG-0186I study (described below) and what we consider to be a well designed pivotal Phase 2/3 FOCUS study. An important factor to take into consideration is that the survival rate in ovarian cancer has not been changed in over 20 years, while some drugs have positively impacted progression free survival (PFS). We believe this unfortunate data point represents a low hurdle for the potential success of CA4P in combination with agents which target angiogenesis.

Mateon Pipeline



Source: MATN January 2017 investor presentation.

Upcoming Catalysts

Candidate	Timeline	Milestone	Impact*
CA4P	1H17	Phase 2 NET final data	+
	1H17	Phase 2/3 FOCUS study interim analysis	+/-
	1H17	Phase 2/3 FOCUS study second interim analysis	++
	2H17	Phase 2/3 FOCUS study third and fourth interim analyses	+++
OXi4503	1H17	Phase 1b OX1222 enrollment of additional cohorts	+/-
	2H17	Phase 1b OX1222 study complete	+++

*Rodman & Renshaw assessment of milestone's potential to represent a meaningful stock catalyst.

Source: Mateon corporate presentation, Rodman & Renshaw.

We Are Bullish on Mateon Based on the Following Factors:

1. After Long Road, CA4P "Finally" Ready for Prime Time Based on GOG-0186I

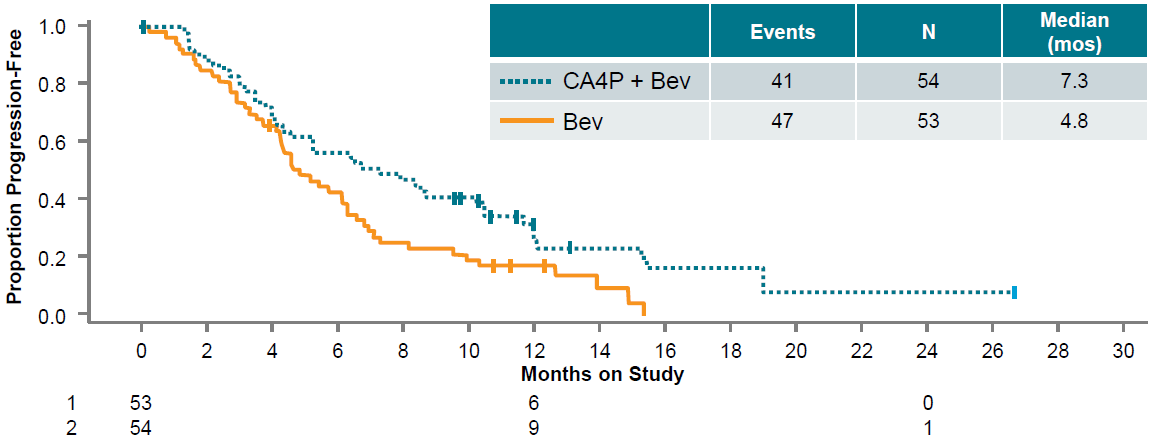
While binary risk should increase dramatically over the next 12 months, the key driver for Mateon is the CA4P opportunity in ovarian cancer. As stated above, the Phase 2/3 FOCUS study should start to see interim data starting this year. We believe the study is well designed and is based on the positive findings of the GOG-0186I Phase 2. The primary analysis from this study was first released in March 2014 with survival data provided in April 2015. Importantly, the intent-to-treat (ITT) population showed a statistically significant improvement in PFS. Further, additional meaningful answers were obtained from the study on both a prospective and post-hoc basis.

This study is core to our investment case, based on: 1) the strength of the overall clinical data set; 2) the ability to use it as a valuable handicapping tool for FOCUS; 3) the ongoing safety of the combination with Avastin, which is important for the mechanism; and 4) further validation with publication in a well recognized peer reviewed journal.

GOG-0186I Phase 2. This study which was published in the *Journal of Clinical Oncology* in 2016 was a randomized, controlled, open-label study. Importantly, this study was sponsored by the National Cancer Institute (NCI). The primary endpoint of the study was progression free survival (PFS) with secondary endpoints of objective response rate (ORR) and overall survival (OS). Patients with recurrent ovarian cancer were enrolled into the study (minimum of one and maximum of three prior therapies) and were both platinum-sensitive and platinum-resistant patients. 107 patients were enrolled at 67 clinical sites. Patients were randomized to received Avastin (bevacizumab) +/- CA4P.

Overall, in our belief, the study pointed to strong activity of the combination in impacting PFS. Importantly a prospectively defined endpoint, measurable disease, led to some intriguing analyses (discussed below), which helped to drive the design of the FOCUS study. The primary endpoint of PFS (ITT) is found in the Kaplan-Meier curves below. Patients on the combination arm saw a 52% increase in PFS and this result was statistically significant.

GOG-0186I Phase 2 Study: Progression Free Survival Primary Endpoint Data (ITT)



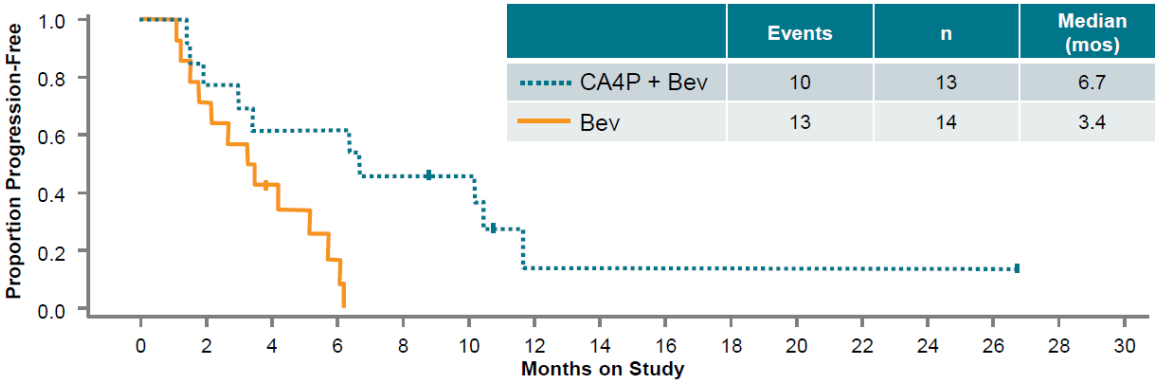
	Events	N	Median (mos)
CA4P + Bev	41	54	7.3
Bev	47	53	4.8

Treatment Comparison	HR*	90% CI	1-sided P Value
Active vs. Control	0.685	[0.47, 1.00]	0.049

Source: Monk et al., J Clin Oncol. 2016;34(19):2279-86.

An analysis was conducted based on the severity of the disease based on resistance or sensitivity to platinum chemotherapy. In platinum-sensitive patients, PFS was also improved (43%) but was not statistically significant. However, the platinum-resistant patients (more severe) saw a statistically significant, 97% increase in PFS.

PFS in Platinum-Resistant Patients



	Events	n	Median (mos)
CA4P + Bev	10	13	6.7
Bev	13	14	3.4

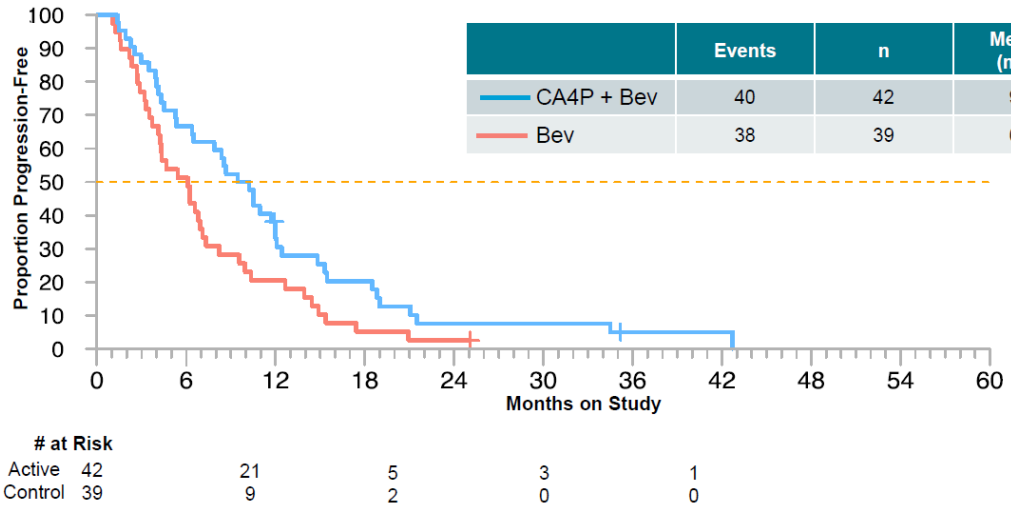
# at Risk			
Active	13	1	1
Control	14	0	0

Treatment Comparison	HR*	Log-rank P Value
Active vs Control	0.57	0.01

Source: Monk et al., J Clin Oncol. 2016;34(19):2279-86.

We believe the data from platinum-resistant patients shown above, help to support the thesis presented below, namely a greater impact in patients with measurable disease. In a prospective fashion, PFS was analyzed by separating patients based on having measurable disease or not. As the Kaplan-Meier curves indicated below, a statistically significant increase in PFS was also shown for patients with measurable disease.

Progression Free Survival for Measurable Disease Patients (Prospectively Defined)



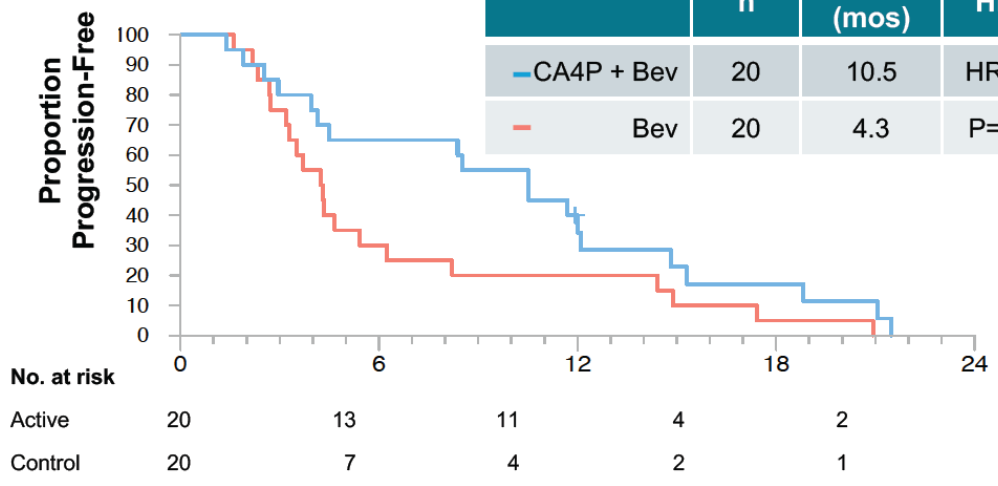
	Events	n	Median (mos)
CA4P + Bev	40	42	9.8
Bev	38	39	6.1

Treatment Comparison	HR	95% CI	Log-rank P Value
Active vs. Control	0.600	[0.38, 0.95]	0.027

Source: Tewari et al. IGCS 2016 poster presentation.

Based on the prospective data surrounding measurable disease, investigators looked to further delineate this observation by retrospectively defining the impact of tumor size. From the study, the median tumor size of 5.7 cm was established, which acted as the reference point for the following analyses. PFS impact was assessed based on a patients tumor being above or below the median size. To this end, the data also surprised, by showing increased benefit in patients with larger tumors (above the median). Patients (n=40) whose tumor sizes were larger than the median (5.7 cm) saw an increase of PFS in the combination arm of 6.2 months relative to the control arm.

Progression Free Survival: >5.7cm Tumor Size (Retrospective)

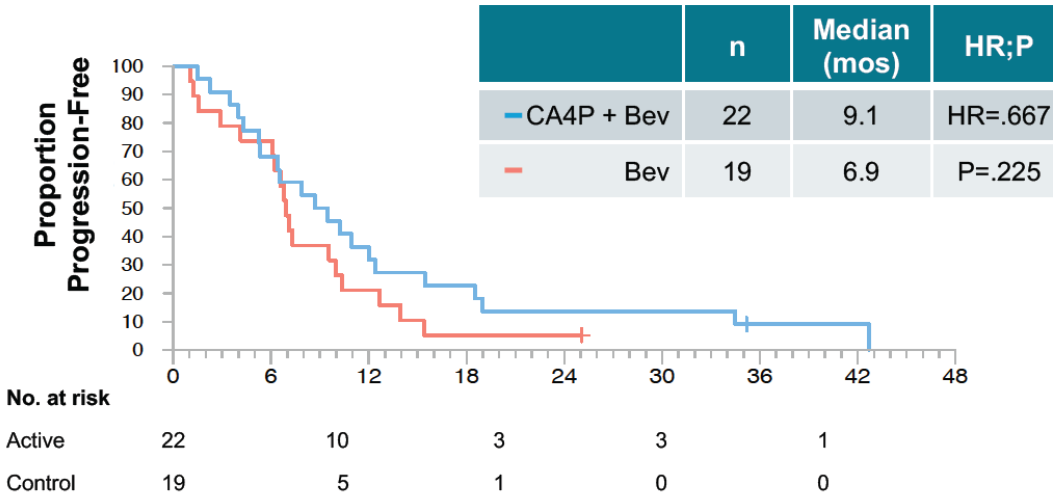


	n	Median (mos)	HR;P
CA4P + Bev	20	10.5	HR.554
Bev	20	4.3	P=.071

Source: Tewari et al. IGCS 2016 poster presentation.

Patients (n=41) with tumors smaller than the median saw increases of PFS of only 2.2 months compared to the control arm.

Progression Free Survival: ≤5.7 cm Tumor Size (Retrospective)



	n	Median (mos)	HR;P
CA4P + Bev	22	9.1	HR=.667
Bev	19	6.9	P=.225

Source: Tewari et al. IGCS 2016 poster presentation.

From a patient standpoint, the data obtained regarding tumor size and platinum-resistance are counterintuitive to what would be expected in more severe patients. However, we believe that the mechanism of action of CA4P, makes the argument intuitive. Lack of measurable disease does not provide "target" for the drug, namely established blood vessels. A larger more established tumor, which would be supported by platinum-resistance, however, would provide plenty of target for CA4P on the established blood vessels of the tumor, while the Avastin in the study is helping to control the newly formed blood vessels.

Study conclusions (as per authors):

- A significantly greater response in PFS was seen in patients with measurable disease treated with CA4P+Avastin vs. Avastin alone.
    - Numerical trends for improvements in OS were observed.
- These data show a trend (improved HR) with increasing tumor size when CA4P is added to Avastin compared to Avastin alone.
    - This difference was not statistically significant, but it is hypothesis generating and was decided to prospectively study this in the FOCUS study.
- No new safety signals were noted.

2. FOCUS Interim Readouts in 2017 and 2018 Represent Investment Drivers

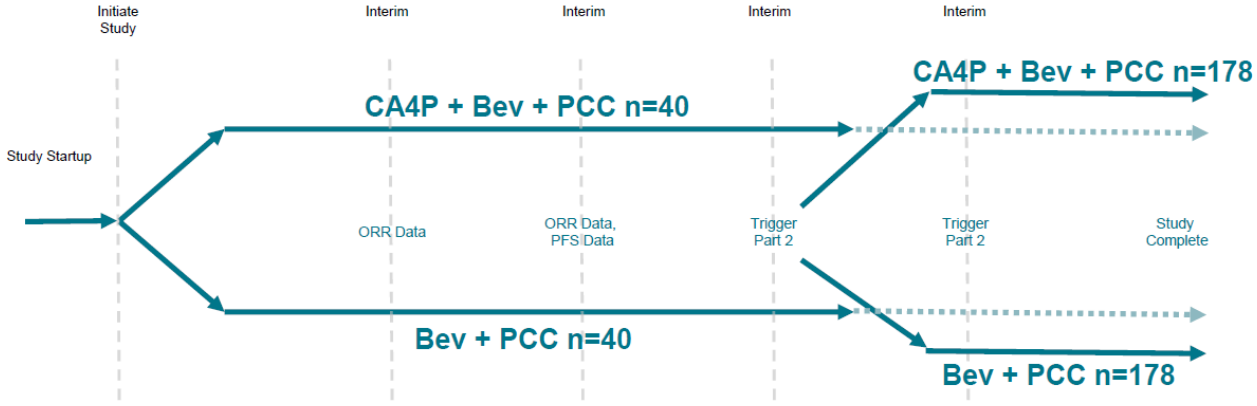
The FOCUS study is an ongoing (initiated June 2016) Phase 2/3 in platinum-resistant ovarian cancer patients and interim data are expected to start reading out this year. An interesting factor to this study is that the interim analyses are designed to not just be typical "continue as planned" announcements, but rather the company provided guidance that it should announce data along the way including response data, which should represent meaningful announcements to investors. The expansion of the study will also be based on the interim analyses conducted.

This randomized study, based on the management's stated design, is based on comparing Avastin and PCC +/- CA4P. PCC (according to clinicaltrials.gov), will represent either paclitaxel of pegylated liposomal doxorubicin. Part 1 of the study is randomized ~80 patients (1:1) and is designed to test overall response rate (ORR) and initial PFS. In Part 2, ~350 patients will be randomized under the same regimens. The primary endpoint of the study is PFS and patients will also be stratified based on: 1) prior use of anti-angiogenic therapy; 2) PCC regimen received; and 3) which line of treatment during which resistance to platinum occurred.

In order to move from Part 1 to Part 2, management has broadly indicated the following gating factors:

- Apply Bayesian statistics to test certainty of objective response rate in the treatment arm (uses historical data from CA4P studies, the AURELIA study, and accumulated data from FOCUS at that time point). The certainty threshold has been pre-specified with the goal of not triggering study expansion on outlier or exceptional data in the study caused by variability.
- Treatment effect required using ORR, though magnitude of benefit has not been defined.
- Qualitative assessment of PFS including Hazard ratio, confidence intervals, differences in medians, and overall curve appearance.

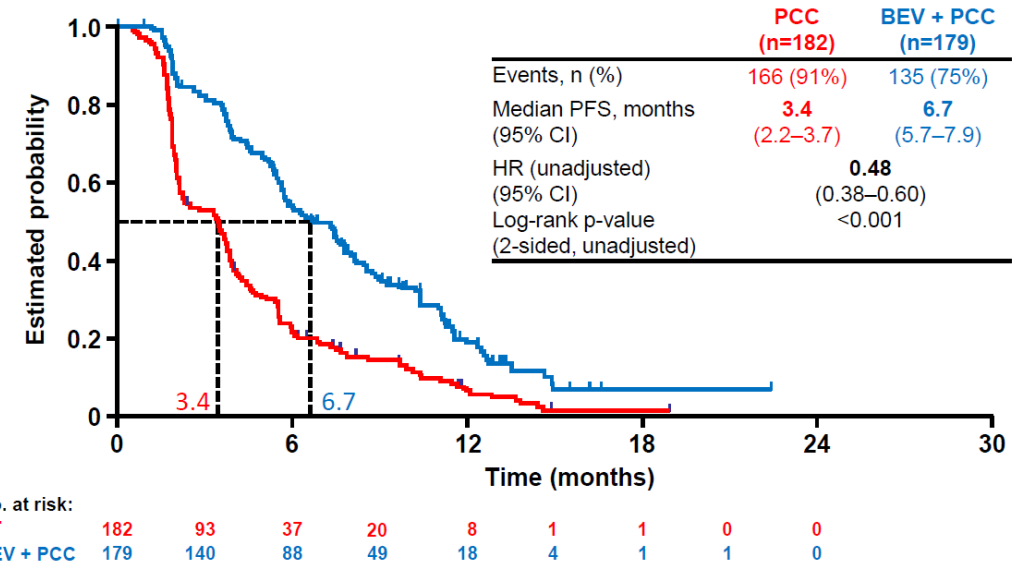
FOCUS Study Design



Source: MATN January 2017 investor presentation.

We believe a critical comparator to the GOG-0186I and upcoming FOCUS studies will be the AURELIA study, which was also conducted in platinum-resistant ovarian cancer patients. Recall that there are few meaningful comparator studies due to the ongoing medical need. AURELIA was a randomized Phase 3 conducted in 361 patients with platinum-resistant ovarian cancer. The study compared physician's choice chemotherapy (PCC) vs. PCC+Avastin. The combination arm yielded a statistically significant increased in PFS and the median PFS for that arm was 6.7 months. While there was a numerical improvement, this study also did not show a statistically significant improvement on OS.

AURELIA Progression Free Survival



Source: Pujade-Laurain E et al. J Clin Oncol. 2014;32(13):1302-8.

3. Looking to Play Well With Others

A key observation, to date, has been that CA4P can be combined safely with Avastin in order to provide the "one-two punch" in target tumor vasculature. As the development of the drug continues, an important factor to broader potential success is its ability to combine with other drugs safely as well. First up is an ongoing study with Votrient in ovarian cancer as well, which could increase the number of options and combinations available to patients if successful.

PAZOFOS: combo with Votrient (pazopanib). Ovarian cancer remains an unmet medical need with only two drugs being approved in recent history, Avastin and Votrient. In September 2014 a Phase 1b/2 study was initiated to the combination of CA4P and Votrient, called PAZOFOS. The study looks to enroll ~128 patients with relapsed ovarian cancer. The Phase 1b portion is complete and its goal was to identify dose limiting toxicities of the combination. Mateon announced that the first patient was enrolled into the Phase 2 portion of the study in July 2016 which has an endpoint of progression free survival. The Phase 2 portion is also randomized, testing Votrient +/- CA4P and data are expected in 2019.

4. AML Could Have a New Enemy as Indication Has Languished

OXi4503 is a next generation VDA being developed by the company and has a dual mechanism of action; 1) VDA profile; and 2) a highly reactive metabolite of the drug, which adds a cytotoxicity component. Two factors, in our belief, make OXi4503 important to the investment case: 1) the drug's potential clinical success going forward on its own merits; and 2) a potential lifecycle product as CA4P matures in the future.

The drug is being initially developed for AML and a key observation, in our belief, is the potential for complementarity with current therapies such as cytarabine. To this end, endothelial cells have been

implicated in keeping AML blasts within the bone marrow, which significantly reduces targeting by cytarabine. Data indicate that OXi4503's endothelial cell targeting allows for the release of blasts from the bone marrow to the periphery.

Initially, an investigator-sponsored trial (University of Florida) was conducted with some funding also coming from The Leukemia & Lymphoma Society. This IST was a Phase 1 monotherapy study in patients with treatment refractory AML or MDS. 19 patients were enrolled into the study, receiving different doses of OXi4503. The maximum tolerated dose was not identified in the study and initial activity showed one patients with a complete marrow remission and one patient with a partial remission, which lasted 10 months.

Ongoing Phase 1b/2 dose escalation study. The company is currently enrolling patients in the dose-esclation portion of Phase 1b/2 study combining OXi4503 with cytrabine. Patients being enrolled into this study also have treatment refractory AML or MDS. The lowest dose first cohort (3.75 mg/m^2; n=6) had one patients with a complete remisson, which was ongoing at six+ months (as of January 2017). Cohort 2 (4.68 mg/m^2; n=4) had one patients with a complete remission, which was ongoing at three+ months without any further treatment. Cohort 3 (6.25 mg/m2) is complete and cohort 4 (7.81 mg/m2) is expected to begin shortly. Study completion is expected in 2H17. Management has indicated that it does not intend to move into Phase 2 without participation of a partner for the program.

Mateon Valuation Methodology

We are instituting a Buy rating and a $2 price target on shares of Mateon. We base our valuation of MATN on our probability-weighted clinical net present value (NPV) valuation model. We believe this method is appropriate in capturing the value of the clinical stage pipeline by allowing us to flex multiple assumptions, including chance of success, peak sales estimates, and year of commercial launch. Our current valuation of MATN is currently based on CA4P for ovarian cancer ($2.06 per share), for which we project a 2020 launch, 20% chance of success and $250 million in peak sales (on fully diluted share count). We believe a level of conservatism exists in our valuation model based on our assigned multiple and discount rate for which we apply the historical values for large pharma (17.0x P/E and 15% discount rate) rather than the sometimes inflated non-profitable biotech multiples in the 30-40x range. Our rationale is based on the potential acquisition metrics utilized by big pharma in valuing the smaller biotech as part of its overall portfolio.

In assessing our projected chances of success, we look to historical ranges of probabilities of drug commercialization based on clinical stage of development. In addition, the chance of success is also driven by such factors as novelty of the drug candidate as well as the level and quality of data in hand. We believe our 20% projected chance of success in recurrent ovarian cancer is fair, and is driven by the positive Phase 2 data in hand. In the U.S. there are approximately 2,000 to 4,000 women who would meet the characteristics for the projected initial label for CA4P, which is platinum resistant ovarian cancer (Markman et al., *The Oncologist* 2000). We project a $90,000 per year treatment cost for CA4P and believe our worldwide peak sales estimate of $250 million is achievable, if approved.

MATN Clinical NPV Model

Drug name	Indication	Status	Launch	Success	Peak Sales (US$m)	Economics	Profitability	NPV (US$)
CA4P	Ovarian cancer	Phase 2/3	2020	20%	250	100%	30%	2.06
OXi4503	AML	Preclinical	2021	0%	250	100%	30%	0.00
							Total	2.06

Source: Rodman & Renshaw estimates.

Valuation upside potential: As stated above, our valuation of Mateon is currently based on CA4P for recurrent ovarian cancer. We currently see three primary routes to valuation upside: 1) positively flexing our assumptions for ovarian cancer, specifically increasing chance of success based on clinical data and peak sales estimates; 2) including other tumor indications for CA4P in our valuation as plans evolve; and 3) including OXi4503 in our valuation, which is current early stage, but represents a significant boost to the valuation, in our belief, based on the ongoing unmet medical need in AML.

Valuation downside potential: Prior to potential commercialization, the key risk for developmental stage companies is the risk of inconclusive or failed clinical trials. These news events have shown to lead to significant pressure on a company's shares. Currently, in our belief, Mateon's valuation is being driven by the ultimate binary readout of the FOCUS Phase 2/3 study.

Key Risks

Clinical and regulatory risk. The two primary risks for companies that are developing new therapeutic agents are: 1) regulatory risk including how the clinical data will be assessed by the FDA; and 2) the risk

of clinical trial failure. Mateon's lead asset, CA4P, has been in multiple clinical studies, each of which has not a clear success while showing clinical activity. We believe the long history of the drug has increased its risk perception. To this end, we believe the company has helped to mitigate some of the data risk by having a larger, well designed, randomized study in FOCUS.

Partnering risk. A potential critical factor in a biotechnology company's success is the ability to sign meaningful partnerships for assets, which could bring in further development expertise and meaningful financial support. If a company is unable to consummate a partnership for an asset, it may be viewed negatively by investors. Additionally, any termination or delays in partnering could have a negative impact on the shares.

Financing risk. Consistent funding is an absolute requirement for development stage, non-profitable biotechnology companies. Potentially issues with raising sufficient will not only likely impact a drug's development timeline, but also investor sentiment in a negative fashion.

($ in millions except per share data)

Profit & Loss	2013A	2014A	2015A	2016E	2017E	2018E	2019E	2020E
Licensing and R&D revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Milestone revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Product and Royalties	0.1	0.0	0.0	0.0	0.0	0.0	0.0	2.8
Other revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenues	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.8**
CoGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Gross Profit	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.4**
Gross margin	*100%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*85%*
G&A	4.7	5.2	4.6	5.1	5.2	5.7	6.6	7.6
R&D	3.6	7.4	9.1	8.5	9.7	12.1	13.9	16.6
Other op ex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**(8.3)**	**(12.7)**	**(13.7)**	**(13.6)**	**(14.9)**	**(17.8)**	**(20.5)**	**(21.8)**
EBIT margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**(8.3)**	**(12.7)**	**(13.7)**	**(13.6)**	**(14.9)**	**(17.8)**	**(20.5)**	**(21.8)**
EBITDA margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
Non operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest Income/Other	(4.8)	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**(13.1)**	**(12.6)**	**(13.7)**	**(13.5)**	**(14.8)**	**(17.7)**	**(20.4)**	**(21.7)**
EBT margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
Provision for taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	**(13.1)**	**(12.6)**	**(13.7)**	**(13.5)**	**(14.8)**	**(17.7)**	**(20.4)**	**(21.7)**
Participation of preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income to common	**(13.1)**	**(12.6)**	**(13.7)**	**(13.5)**	**(14.8)**	**(17.7)**	**(20.4)**	**(21.7)**
net margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
NoSH	2.8	17.0	25.2	26.6	35.0	35.5	40.0	41.0
EPS - basic	**(4.67)**	**(0.75)**	**(0.54)**	**(0.51)**	**(0.42)**	**(0.50)**	**(0.51)**	**(0.53)**
EPS - diluted	**(4.67)**	**(0.75)**	**(0.54)**	**(0.51)**	**(0.42)**	**(0.50)**	**(0.51)**	**(0.53)**

Source: SEC filings and Rodman & Renshaw estimates

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Quarterly P&L

	Q1'16A	Q2'16A	H1'16A	Q3'16A	9M'16A	Q4'16E	FY'16E	Q1'17E	Q2'17E	H1'17E	Q3'17E	9M'17E	Q4'17E	FY'17E
Licensing and R&D revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Milestone revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Product and Royalties	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Other revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Revenues	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.0**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.0**
CoGS	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Gross Profit	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.0**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.0**
Gross margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*0%*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*0%*
G&A	1.37	1.30	2.67	1.19	3.86	1.20	5.1	1.23	1.28	2.51	1.33	3.84	1.37	5.2
R&D	1.98	2.37	4.35	2.08	6.43	2.11	8.5	2.21	2.36	4.57	2.41	6.98	2.67	9.7
Other op ex	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
EBITDA	**(3.4)**	**(3.7)**	**(7.0)**	**(3.3)**	**(10.3)**	**(3.3)**	**(13.6)**	**(3.4)**	**(3.6)**	**(7.1)**	**(3.7)**	**(10.8)**	**(4.0)**	**(14.9)**
EBITDA margin							*nm*							*nm*
Non operating expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Net Interest Income/Other	0.03	0.03	0.06	0.03	0.08	0.03	0.1	0.03	0.03	0.05	0.03	0.08	0.03	0.1
Interest expense	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
EBT	**(3.3)**	**(3.6)**	**(7.0)**	**(3.2)**	**(10.2)**	**(3.3)**	**(13.5)**	**(3.4)**	**(3.6)**	**(7.0)**	**(3.7)**	**(10.7)**	**(4.0)**	**(14.8)**
EBT margin							*nm*							*nm*
Provision for taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Participation of preferred stock														
Net Income to common	**(3.3)**	**(3.6)**	**(7.0)**	**(3.2)**	**(10.2)**	**(3.3)**	**(13.5)**	**(3.4)**	**(3.6)**	**(7.0)**	**(3.7)**	**(10.7)**	**(4.0)**	**(14.8)**
net margin							*nm*							*nm*
NoSH	26.5	26.5	26.55	26.55	26.55	26.60	26.60	27.0	27.0	27.00	35.00	29.67	35.00	35.00
EPS - basic	**(0.13)**	**(0.14)**	**(0.26)**	**(0.12)**	**(0.38)**	**(0.12)**	**(0.51)**	**(0.13)**	**(0.13)**	**(0.26)**	**(0.11)**	**(0.36)**	**(0.11)**	**(0.42)**

Source: SEC filings and Rodman & Renshaw estimates

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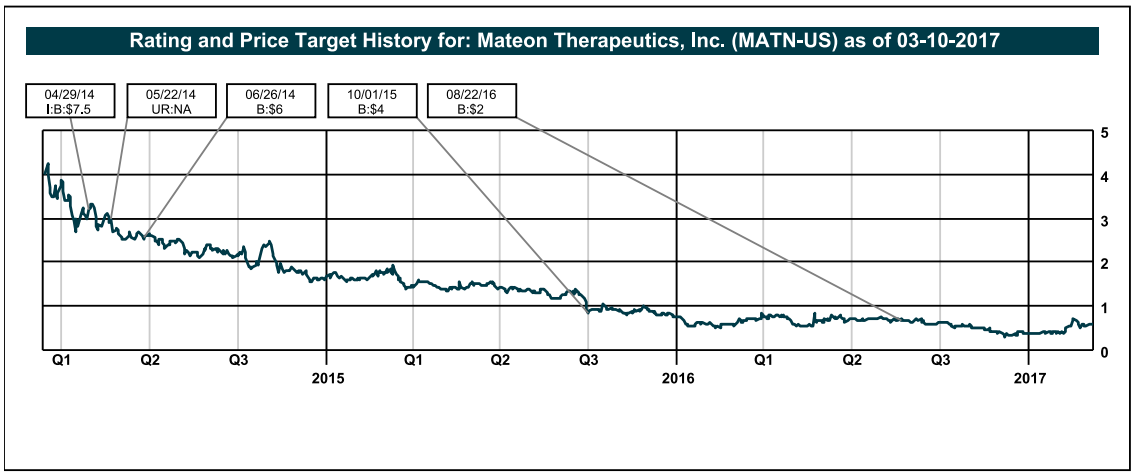

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			IB Service/Past 12 Months	
Ratings	Count	Percent	Count	Percent
Buy	208	93.27%	64	30.77%
Neutral	14	6.28%	3	21.43%
Sell	0	0.00%	0	0.00%
Under Review	1	0.45%	1	100.00%
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