

COMPANY NOTE

Target | Estimate Change

USA | Healthcare | Medical Supplies & Devices

April 25, 2016

Jefferies

EQUITY RESEARCH AMERICAS

Presbia (LENS) Clinical Progress Continues

Key Takeaway

LENS recently presented interim 6-month data from its US pivotal trial. The major findings: subjects gained an average of >5 lines of uncorrected near visual acuity and 100% of patients experienced no loss in binocular distance vision. While clinical progress is right on track, commercial efforts are admittedly developing slower than hoped. We are updating numbers and stay at Buy.

Clinical progress remains encouraging. Presbia provided an interim look into the US pivotal trial, showing data on 90% of subjects that passed the 6-month post-op visit (90% of 421 treated patients, excluding explants). The key finding is that at the 6-month mark, reported subjects gained an average of more than 5 lines of uncorrected near visual acuity. Comparatively, AcuFocus's Kamra inlay received FDA approval while gaining just 3-4 lines. Also of note, 100% of patients experienced no loss in binocular distance vision. There was no detail on adverse events but the lack of detail here, in our view, should be taken positively as any material events would have merited specific disclosure. While the complete data set, including explants, is still to come, the net thus far is that patients are having near vision restored with no loss in distance vision or material adverse events. Follow-up continues and FDA data submission on the full cohort is expected 4Q17.

Commercial adoption is taking longer. While the clinical progress is encouraging, commercial efforts continue to lag. The company has targeted Korea for its first major market, but sales so far have disappointed. Much of slower adoption can be attributed to the damage that previous corneal inlays did to clinician's view of the overall category. Poor patient satisfaction and high rates of explants with previous devices has created a high bar and clinicians are needing more extensive & longer data before using newer technologies like Presbia's Microlens. The next step in building this confidence will be a symposium in June where a leading Korean ophthalmologist will present 12 month data on 14 patients. The company is also sponsoring two small clinical studies in the Korean market that should begin shortly. Beyond Korea, similar efforts are starting in Germany. We have lowered numbers to reflect the slower adoption, though our confidence in this market & Presbia's offering is unchanged.

Valuation/Risks

Our \$11 target (was \$12) is 5.0x 2020 sales risk adjusted 50%, & discounted 2 years. Risks include slower adoption, clinical data, and competition.

USD	Prev.	2015A	Prev.	2016E	Prev.	2017E	Prev.	2018E
Rev. (MM)	--	0.2	3.7	1.0	13.3	4.4	--	12.6
EV/Rev		NM		25.3x		5.7x		2.0x
EPS								
Mar	--	(0.39)	--	(0.28)	--	--	--	--
Jun	--	(0.40)	--	(0.29)	--	--	--	--
Sep	--	(0.37)	--	(0.28)	--	--	--	--
Dec	(0.43)	(0.26)	--	(0.28)	--	--	--	--
FY Dec	(1.59)	(1.41)	(1.14)	(1.13)	(0.55)	(0.72)	--	(0.37)
FY P/E		NM		NM		NM		NM

BUY

Price target \$11.00

(from \$12.00)

Price \$3.81

Financial Summary

Book Value (MM):	\$20.8
Book Value/Share:	\$1.56
Net Debt (MM):	(\$25.4)
Long-Term Debt (MM):	\$0.0
Cash & ST Invest. (MM):	\$25.4

Market Data

52 Week Range:	\$9.38 - \$2.94
Total Entprs. Value (MM):	\$25.3
Market Cap. (MM):	\$50.7
Insider Ownership:	73.0%
Institutional Ownership:	27.0%
Shares Out. (MM):	13.3
Float (MM):	3.9
Avg. Daily Vol.:	10,008

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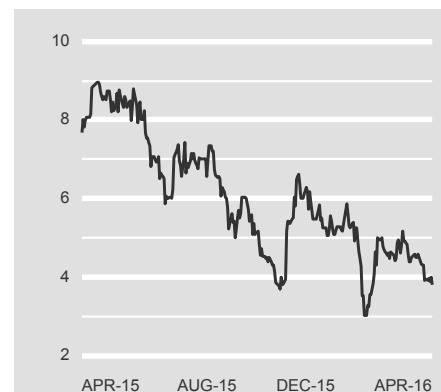
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Price Performance



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Scenarios

Target Investment Thesis

- US PMA trial is completed by late 2017.
- First three PMA modules are submitted on schedule in 2017 timeframe.
- PMA clearance secured in 2018 followed by US launch.
- OUS revenues approach \$25mn by 2019.
- Breakeven achieved by end of 2018.
- PT: \$11 derived using 5.0x sales while applying a 50% discount to our forward forecasts.

Upside Scenario

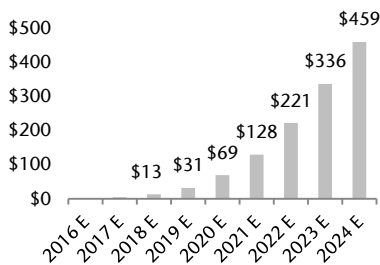
- US PMA trial is completed by late 2017.
- First three PMA modules are submitted on schedule in 2016-2017 timeframe.
- PMA clearance and US launch in 2018.
- First year of US launch mirrors LASIK uptake of close to 100k procedures.
- OUS revenues surpass \$40mn by 2019.
- Breakeven achieved by end of 2017.
- PT: \$20 derived using blended approach.
- DCF valuation uses 25% discount rate.

Downside Scenario.

- Enrollment in US PMA trial is not completed by early 2016.
- PMA module submissions are delayed.
- PMA study fails to meet primary endpoints.
- OUS expansion efforts delayed.
- OUS revenues less than \$50mm by 2018.
- Breakeven not achieved by 2016 triggering need for subsequent capital raise.
- PT: \$3 derived using blended approach.

Long Term Analysis

Revenue Trajectory (\$MM)



Source: Jefferies estimates

Long Term Financial Model Drivers

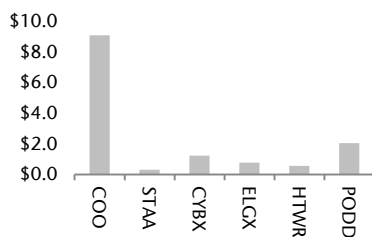
LT Earnings CAGR	40%+
Lt Organic Revenue Growth	50%+
Acquisition Contribution	0%
Annual OM% Expansion	300bps+

Other Considerations

Presbia's Flexivue microlens is the latest in corneal inlay technologies in a relatively new product category addressing presbyopia. Two private competitors, AcuSoft and Revision Optics, are also developing corneal inlay solutions however the early clinical experience points to better efficacy in improved vision after 12-months with Presbia's Flexivue.

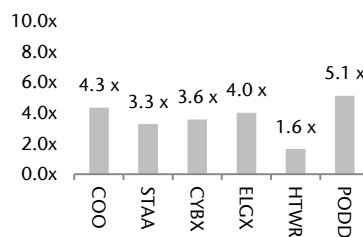
Peer Group

Group EV (\$bn)



Source: Factset, Jefferies estimates

Group EV/ 2017 Sales



Source: Factset, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
LENS	Buy	\$11
COO	Buy	\$175
STAA	NC	N/A
LIVN	NC	N/A
ELGX	NC	N/A
HTWR	NC	N/A
PODD	Buy	\$39

Catalysts

- Full enrolment on PMA study by late 2016.
- PMA module submissions 2017.
- PMA clearance 2018 followed by US entry.
- Entry into additional OUS markets ahead of US entry.
- Quarterly earnings.

Company Description

Presbia Plc is ophthalmic device company that has developed a proprietary lens implant for treating presbyopia, the age-related loss of the ability to focus on near objects. The Flexivue Microlens is currently available in select OUS markets with plans to enter the US market by 2018.

Chart 1: LENS Income Statement

Presbia Plc

Income Statement

In Millions, Except Per Share Data

FYE Dec 31

Jefferies

	2014 A Dec	1Q15 A Mar	2Q15 A Jun	3Q15 A Sept	4Q15 A Dec	2015 A Dec	1Q16 E Mar	2Q16 E Jun	3Q16 E Sept	4Q16 E Dec	2016 E Dec	2017 E Dec	2018 E Dec	2019 E Dec	2020 E Dec	2021 E Dec	2022 E Dec	2023 E Dec	2024 E Dec
Total Revenue	\$0.2	\$0.07	\$0.04	\$0.01	\$0.0	\$0.2	\$0.0	\$0.1	\$0.4	\$0.5	\$1.0	\$4.4	\$12.6	\$31.2	\$68.8	\$128.5	\$221.1	\$335.8	\$458.9
Year-to-Year Growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	188.6%	148.6%	120.5%	86.7%	72.1%	51.9%	36.7%
Cost of revenues	0.0	0.0	0.0	0.0	0.1	0.2	0.1	0.1	0.1	0.1	0.3	0.9	2.4	5.6	11.7	19.3	26.5	40.3	55.1
Gross Profit	0.1	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.3	0.4	0.7	3.5	10.2	25.6	57.1	109.2	194.6	295.5	403.8
Gross Margin %	72.3%	35.6%	66.7%	nm	nm	nm	nm	nm	71.8%	78.2%	nm	80.0%	81.0%	82.0%	83.0%	85.0%	88.0%	88.0%	88.0%
Operating Expenses																			
R&D	12.1	1.8	2.5	2.3	1.3	7.9	1.5	1.7	1.8	1.9	6.9	9.0	10.0	7.2	5.5	9.0	12.2	17.5	22.9
% of Sales	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	23.0%	8.0%	7.0%	5.5%	5.2%	5.0%
Selling & marketing	1.6	0.5	0.8	0.8	0.6	2.7	0.8	0.8	0.9	0.9	3.4	1.7	3.8	10.0	19.3	38.5	66.3	100.7	128.5
% of Sales	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	38.0%	30.0%	32.0%	28.0%	30.0%	30.0%	30.0%	28.0%
G&A	8.4	2.3	2.0	1.8	1.4	7.5	1.5	1.6	1.7	1.7	6.5	2.6	3.1	5.6	13.1	23.1	37.6	53.7	68.8
% of Sales	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	58.8%	25.0%	18.0%	19.0%	18.0%	17.0%	16.0%	15.0%
Total SG&A	10.03	2.8	2.8	2.5	2.0	10.2	2.3	2.4	2.5	2.6	9.8	4.2	6.9	15.6	32.3	61.7	103.9	154.4	197.3
% of Sales	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	55.0%	50.0%	47.0%	48.0%	47.0%	46.0%	43.0%
Total Operating Expenses	22.1	4.6	5.3	4.9	3.3	18.1	3.8	4.1	4.3	4.5	16.7	13.2	16.9	22.8	37.8	70.7	116.1	171.9	220.3
Operating Income	(22.0)	(4.6)	(5.3)	(4.9)	(3.3)	(18.1)	(3.8)	(4.1)	(4.0)	(4.1)	(16.0)	(9.7)	(6.7)	2.8	19.3	38.5	78.5	123.6	183.6
Operating Margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	9.0%	28.0%	30.0%	35.5%	36.8%	40.0%
Adjusted EBITDA	(21.7)	(4.6)	(5.3)	(4.9)	(3.3)	(18.1)	(3.8)	(4.1)	(4.0)	(4.1)	(16.0)	(6.7)	(3.7)	6.8	22.3	41.5	81.5	126.6	186.6
EBITDA % of Sales	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	21.8%	32.4%	32.3%	36.9%	37.7%	40.7%
Net interest income (loss)	(2.3)	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.9	0.0	0.0	0.1	1.0	1.7	2.7	3.9	3.9
Other Income (expense)	(0.0)	0.0	0.0	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings (Loss) Before Taxes	(24.3)	(4.6)	(5.3)	(4.9)	(3.3)	(18.1)	(3.6)	(3.8)	(3.8)	(3.9)	(15.1)	(9.7)	(6.7)	2.9	20.3	40.2	81.2	127.5	187.5
Pre-Tax Margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	9.2%	29.5%	31.3%	36.7%	38.0%	40.8%
Income Tax Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.7)	0.7	4.9	8.9	16.2	25.5	37.5
Tax Rate	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	0.0%	25.0%	25.0%	24.0%	22.0%	20.0%	20.0%	20.0%
Net Income	(24.3)	(4.6)	(5.3)	(4.9)	(3.4)	(18.2)	(3.6)	(3.8)	(3.8)	(3.9)	(15.1)	(9.7)	(5.1)	\$2.1	\$15.4	\$31.4	\$65.0	\$102.0	\$150.0
Net Margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	6.9%	22.4%	24.4%	29.4%	30.4%	32.7%
Adjusted EPS	(\$2.65)	(\$0.39)	(\$0.40)	(\$0.37)	(\$0.26)	(\$1.41)	(\$0.28)	(\$0.29)	(\$0.28)	(\$0.28)	(\$1.13)	(\$0.72)	(\$0.37)	\$0.16	\$1.10	\$2.23	\$4.56	\$7.08	\$10.31
Year-to-Year Growth	nm					nm					nm	nm	-48.7%	-142.0%	610.8%	101.6%	104.7%	55.4%	45.6%
Basic Shares Outstanding	9.2	11.8	13.4	13.3	12.9	12.8	13.0	13.2	13.4	13.6	13.3	13.5	13.6	13.8	13.9	14.1	14.2	14.4	14.5
Diluted Shares Outstanding	9.2	11.8	13.4	13.3	12.9	12.8	13.0	13.2	13.4	13.6	13.3	13.5	13.6	13.8	13.9	14.1	14.2	14.4	14.5

Note: Excludes extraordinary items

Source: Jefferies estimates, company data

LENS

Target | Estimate Change

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Chart 2: LENS Revenue Model

Presbia Plc

Revenue Model

FYE Dec 31

	2013 A Dec	2014 A Dec	2015A Dec	2016 E Dec	2017 E Dec	2018 E Dec	2019 E Dec	2020 E Dec	2021 E Dec	2022 E Dec	2023 E Dec	2024 E Dec
High-volume physicians												
New physicians	0	0	4	8	40	45	125	200	225	225	250	250
Procedures per surgeon			22.5	45	45	45	45	45	45	45	45	45
New physician total lenses	0	0	90	360	1,800	2,025	5,625	9,000	10,125	10,125	11,250	11,250
Existing physicians	0	0	0	4	12	52	97	222	422	647	872	1,122
Procedures per surgeon				144	204	205	272	282	297	348	400	429
Existing physician total lenses	0	0	0	576	2,448	10,656	26,352	62,532	125,172	225,072	348,372	481,572
Total high-volume physicians	0	0	4	12	52	97	222	422	647	872	1,122	1,372
Total high-volume lenses	0	0	90	936	4,248	12,681	31,977	71,532	135,297	235,197	359,622	492,822
Low-volume physicians												
New physicians	0	0	0	10	15	25	75	100	125	150	150	150
Procedures per surgeon				22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5
New physician total lenses	0	0	0	225	338	563	1,688	2,250	2,813	3,375	3,375	3,375
Existing physicians	0	0	0	0	10	25	50	125	225	350	500	650
Procedures per surgeon					72	86	97	94	100	108	113	119
Existing physician total lenses	0	0	0	0	720	2,160	4,860	11,700	22,500	37,800	56,700	77,400
Total mid-volume physicians	0	0	0	10	25	50	125	225	350	500	650	800
Total mid-volume lenses	0	0	0	225	1,058	2,723	6,548	13,950	25,313	41,175	60,075	80,775
New physicians	0	0	4	18	55	70	200	300	350	375	400	400
Total physicians	0	0	4	22	77	147	347	647	997	1,372	1,772	2,172
Total lens volume ('000)	0.0	0.0	0.1	1.2	5.3	15.4	38.5	85.5	160.6	276.4	419.7	573.6
Lens ASP (\$USD)	\$800	\$800	\$850	\$825	\$820	\$815	\$810	\$805	\$800	\$800	\$800	\$800
Total lens revenues (\$mm)	\$0.1	\$0.2	\$0.2	\$1.0	\$4.4	\$12.6	\$31.2	\$68.8	\$128.5	\$221.1	\$335.8	\$458.9
Growth Y/Y				nm	354%	189%	149%	121%	87%	72%	52%	37%

Source: Jefferies estimates, company data

Company Description

Presbia Plc is an ophthalmic device company that has developed a proprietary optical lens implant for treating presbyopia, the age-related loss of the ability to focus on near objects. The Flexivue Microlens is currently available in select OUS markets including the EU and Australia with plans to enter the US market by 2018.

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the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

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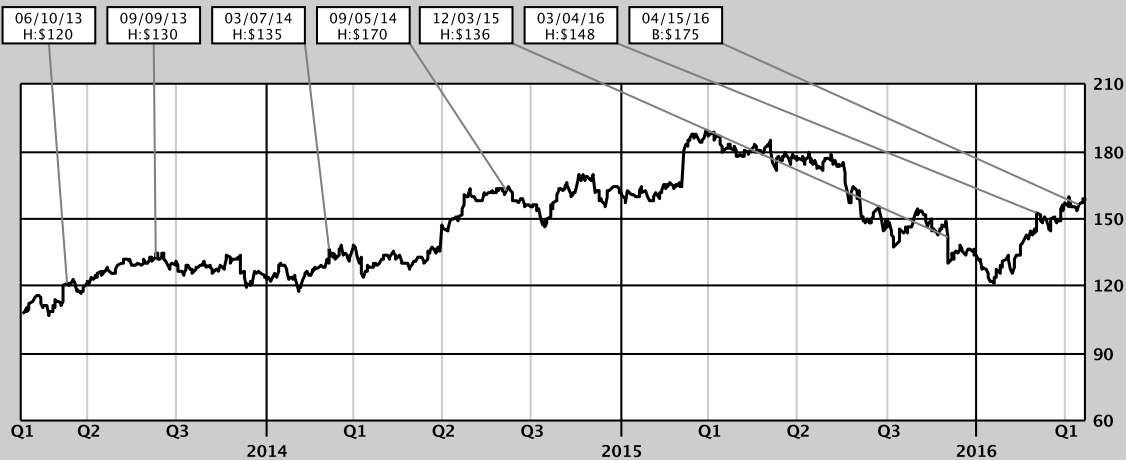
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Other Companies Mentioned in This Report

- Insulet Corp (PODD: \$35.06, BUY)
- The Cooper Companies, Inc. (COO: \$157.86, BUY)



Rating and Price Target History for: The Cooper Companies, Inc. (COO) as of 04-22-2016



Rating and Price Target History for: Insulet Corp (PODD) as of 04-22-2016



Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

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Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	1176	53.94%	327	27.81%
HOLD	846	38.81%	163	19.27%
UNDERPERFORM	158	7.25%	17	10.76%

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