

# Quarterly Industry Update

As of July 31, 2013

Industry: Bacterial Pharma

## Industry Summary

Cogent Valuation identified publicly traded companies, IPOs, and recent M&A transactions within the Bacterial Pharma industry, which provides a basis for market and transaction pricing that can be used by your firm in estimating market sentiment and its impact on your firm's value. Since July 31, 2012, the median 52-week share price return of the Bacterial Pharma industry has increased by 51.4%. In the last quarter, the median price-to-earnings multiple increased from 32.6x to 49.9x. Although multiples have been increasing since the prior quarter, profit margins and growth have declined greatly.

## Comparable Public Company Key Statistics

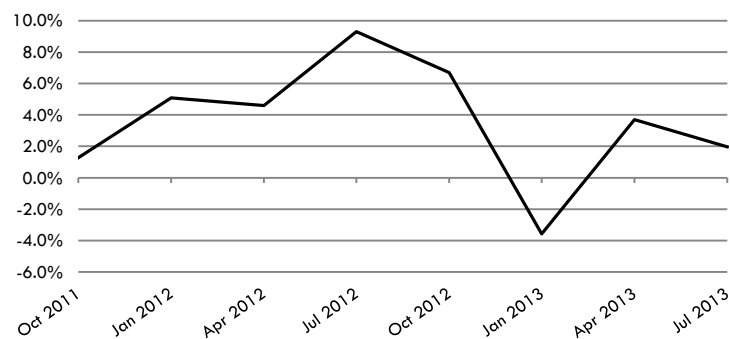
Median 52-Week Return	51.4%	Median EV/Revenue Multiple	5.4x	Median Price/Earnings Multiple	49.9x
Median 3-Year CAGR Return	33.3%	Median EV/EBITDA Multiple	17.8x	Median EV/Gross CF Multiple	43.2x

## Comparable Public Company Market Price Returns (As of July 31, 2013)

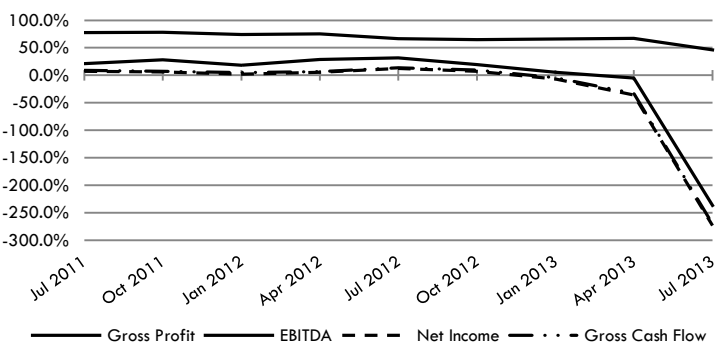
	YTD	3 Month	1 Year	2 Year	3 Year	5 Year	2012	2011	2010	2009	2008
Theravance Inc.	73.4%	14.3%	32.4%	34.3%	37.6%	19.3%	0.6%	-11.8%	91.8%	5.5%	-36.5%
Cubist Pharmaceuticals Inc.	48.2%	35.7%	44.8%	35.5%	42.4%	22.4%	6.1%	85.1%	12.8%	-21.5%	17.8%
ViroPharma Inc.	50.8%	25.9%	58.1%	37.8%	37.6%	22.8%	-16.9%	58.1%	106.4%	-35.6%	64.0%
InterMune Inc.	60.1%	66.2%	75.7%	-31.8%	16.7%	-2.0%	-23.1%	-65.4%	179.1%	23.3%	-20.6%
Vertex Pharmaceuticals Incorporated	90.5%	3.9%	64.5%	24.0%	33.3%	18.3%	26.2%	-5.2%	-18.2%	41.0%	30.8%
Salix Pharmaceuticals Ltd.	82.6%	41.3%	64.9%	38.0%	20.3%	56.1%	-15.4%	1.9%	85.0%	187.5%	12.1%
Optimer Pharmaceuticals, Inc.	38.2%	-19.0%	-8.4%	8.7%	11.3%	8.2%	-26.1%	8.2%	0.4%	-6.9%	73.0%
Anacor Pharmaceuticals, Inc.	47.1%	14.2%	29.7%	12.8%	N/A	N/A	-16.1%	15.5%	N/A	N/A	N/A
Trius Therapeutics, Inc.	195.0%	102.3%	155.9%	27.0%	N/A	N/A	-33.1%	92.7%	N/A	N/A	N/A
Cempra, Inc.	36.9%	27.1%	10.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Median of Industry Public Companies</b>	<b>55.4%</b>	<b>26.5%</b>	<b>51.4%</b>	<b>27.0%</b>	<b>33.3%</b>	<b>19.3%</b>	<b>-16.1%</b>	<b>8.2%</b>	<b>85.0%</b>	<b>5.5%</b>	<b>17.8%</b>

(Multiple year periods are calculated as the average annual return.)

## Median Quarterly Revenue Growth of All Bacterial Pharma Companies



## Median Gross Profit, EBITDA, Net Income and Gross Cash Flow Margins



## Median Public Company Multiples of the Bacterial Pharma Industry

Date:	7/31/2011	10/31/2011	1/31/2012	4/30/2012	7/31/2012	10/31/2012	1/31/2013	4/30/2013	7/31/2013
EV/Revenues Multiple	4.5x	4.8x	5.1x	4.7x	4.2x	3.4x	4.1x	4.1x	5.4x
EV/EBITDA Multiple	11.8x	10.4x	13.4x	11.2x	9.7x	10.4x	12.8x	12.5x	17.8x
Price/Earnings Multiple	30.9x	21.6x	32.7x	28.4x	25.7x	27.6x	31.7x	32.6x	49.9x
EV/Gross Cash Flows Multiple	21.5x	19.0x	31.6x	26.4x	21.0x	25.3x	27.8x	27.5x	43.2x

This industry research is provided at no charge to Cogent Valuation's clients. Research or detailed information not covered in this report can be obtained for a fee. Contact Steven Kam at 415-392-0888 for more information or questions in connection with this research report.

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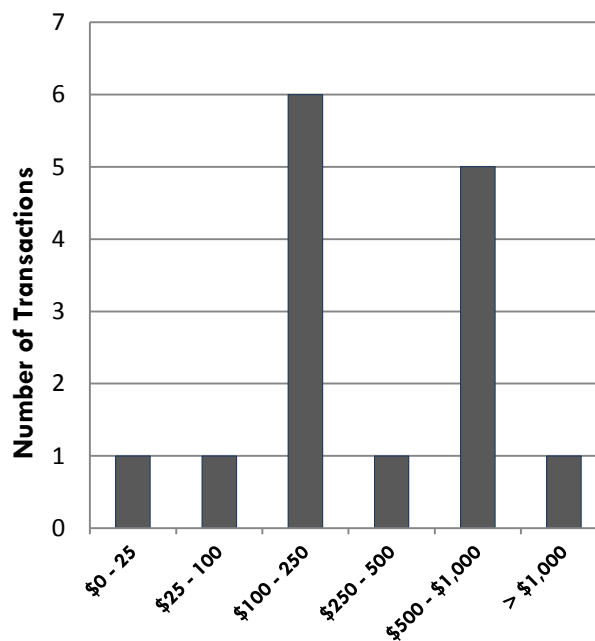
## Industry Initial Public Offerings (dollars in millions, except share prices)

Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
3/19/2013	Tetraphase Pharmaceuticals, Inc.	\$7.00	8.3	\$75.0	\$14.1	\$11.5	\$7.6	(\$13.7)	N/A	(\$13.3)
2/3/2012	Cempra, Inc.	\$6.00	4.2	\$50.4	\$16.9	\$14.0	\$0.0	(\$20.5)	N/A	(\$20.4)
11/23/2010	Anacor Pharmaceuticals, Inc.	\$5.00	12.0	\$60.0	\$20.4	\$9.1	\$31.1	(\$4.3)	N/A	(\$3.6)
8/2/2010	Trius Therapeutics, Inc.	\$5.00	10.0	\$50.0	\$15.6	\$20.2	\$6.3	(\$16.1)	N/A	(\$15.6)
2/9/2007	Optimer Pharmaceuticals, Inc.	\$7.00	7.0	\$49.0	\$24.1	\$0.0	\$0.9	(\$12.6)	(\$9.8)	(\$12.1)
10/5/2004	Theravance Inc.	\$16.00	6.2	\$98.4	\$205.0	\$5.4	\$7.5	(\$92.0)	(\$18.5)	(\$86.7)
3/24/2000	InterMune Inc.	\$20.00	6.3	\$125.0	\$5.9	\$0.0	\$0.6	(\$6.4)	(\$96.8)	(\$6.4)
11/19/1996	ViroPharma Inc.	\$7.00	2.3	\$15.8	N/A	N/A	FALSE	\$0.0	\$100.2	\$0.0
<b>Median of All IPOs</b>		<b>nm</b>	<b>nm</b>	<b>\$50.2</b>	<b>\$16.2</b>	<b>\$7.3</b>	<b>\$4.0</b>	<b>(\$9.5)</b>	<b>(\$14.2)</b>	<b>(\$9.2)</b>

## Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

Transaction Date	Target	Acquirer	Transaction Size	% Bought
7/15/2013	Syntaxin Ltd.	Ipsen S.A.	\$206.0	90%
12/20/2011	Oceana Therapeutics	Salix Pharmaceuticals	\$342.8	100%
4/30/2011	Gemin X Pharmaceuticals	Cephalon, Inc.	\$525.0	100%
4/11/2011	Clinical Data, Inc.	Forest Laboratories	\$1,162.0	100%
4/1/2011	Calistoga Pharmaceuticals	Gilead Sciences	\$600.0	100%
2/9/2011	Dalian Aleph Biomedical	Fosun Industrial	\$102.5	75%
2/2/2011	Synosia Therapeutics	Biotie Therapies Corp.	\$119.1	100%
12/1/2010	Transave, Inc.	Insmed Incorporated	\$110.0	100%
10/28/2010	Trubion Pharmaceuticals	Emergent BioSolutions	\$141.7	100%
9/27/2010	Movetis NV	Shire plc	\$529.7	100%
6/30/2010	Javelin Pharmaceuticals	Hospira Inc.	\$147.9	100%
4/19/2010	Facet Biotech	Abbott Laboratories	\$747.4	100%
3/4/2010	BioXell S.p.A.	Cosmo Pharmaceuticals	\$40.4	100%
3/3/2010	Novexel SA	AstraZeneca PLC	\$502.0	100%
1/29/2010	Cytopia Limited	YM BioSciences Inc.	\$9.5	100%
<b>Median of All Transaction Targets</b>			<b>\$206.0</b>	<b>100%</b>

## Size of Merger and Acquisition Transactions (dollars in millions)



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