

May 23, 2016

Additional Interim Data Reported; Financial Projections Revised; Reiterate Buy

Stock Data		05/20/2016		
Rating		Buy		
Price		\$4.89		
Exchange		NASDAQ		
Price Target		\$14.00		
52-Week High		\$9.38		
52-Week Low		\$2.94		
Enterprise Value (MM)		\$47		
Market Cap (MM)		\$65		
Public Market Float (MM)		3.0		
Shares Outstanding (MM)		13.4		
3 Month Avg Volume		8,530		
Short Interest (MM)		0.21		
Balance Sheet Metrics				
Cash (MM)		\$18.60		
Total Debt (MM)		\$0.00		
Total Cash/Share		\$1.39		
Book Value/Share		\$1.40		
EPS Diluted				
Full Year - Dec		2015A	2016E	2017E
1Q		(0.39)	(0.28)A	(0.15)
2Q		(0.40)	(0.24)	(0.14)
3Q		(0.37)	(0.21)	(0.15)
4Q		(0.25)	(0.17)	(0.14)
FY		(1.40)	(0.89)	(0.59)
Revenue (\$M)				
Full Year - Dec		2015A	2016E	2017E
1Q		0.0	0.0A	0.3
2Q		0.0	0.0	0.5
3Q		0.0	0.0	0.6
4Q		0.0	0.1	0.8
FY		0.2	0.1	2.2

Further interim data released from pivotal trial. Last week, Presbia released further interim data via 8-K from its ongoing pivotal trial of the pioneering corneal inlay product, the Flexivue Microlens™. These data comprise six-month follow-up of all 421 subjects implanted with the product and continue to demonstrate that the corneal inlay product can achieve significant improvement in uncorrected near vision acuity without loss of distance vision performance. We continue to expect Presbia to complete this study in late 2017. The company could independently launch the Flexivue Microlens™ in the U.S. and may generate peak sales of \$445M in the U.S. alone and \$530M worldwide by 2030.

Continued clinical progress reported. Presbia has completed the second of two stages of trial enrollment in the ongoing pivotal study, with 421 subjects having undergone implantation of the corneal inlay product. The firm is now 18 months into the 36-month follow-up period, with submission of the final Pre-Market Approval (PMA) module remaining on track for late 2017. We believe that Presbia could receive formal approval of the product in late 2018. An average of five lines of improvement in uncorrected near visual acuity was observed in treated eyes across 100% of the six-month U.S. study cohort.

By the numbers. Presbia reported a net loss of \$0.28 per share in the first quarter of 2016 vs. our projection of a net loss per share of \$0.23. R&D expenditures were in-line with our projections, coming in at \$1.3M. Selling and marketing expenditures were marginally above our projections at \$0.7M vs. \$0.5M, while G&A spending was \$1.8M vs. our projection of \$1.2M. We note that the firm continues to ramp up marketing activities in the initial ex-U.S. territories of South Korea and Germany; the one-year patient data from the experience of a Korean surgeon with the corneal inlay are slated for presentation next month at a symposium where roughly 20 Korean ophthalmic surgeons are anticipated to attend.

Valuation methodology. We utilize a discounted cash flow-based net present value (NPV) approach to value Presbia's shares. This yields a total value of \$275M for the Flexivue Microlens™ product, using an 18% discount rate, 60% manufacturing and marketing offset, and a 12.5% effective tax rate as Presbia is domiciled in Ireland. This translates into a price per share of \$14.00, assuming \$25M in cash and 20M shares outstanding as of end-2017. Risks associated with achieving our price target include: (1) on-going financial losses and associated stock volatility; (2) clinical development risk; (3) regulatory risk; (4) additional risks raised by the highly competitive environment in which the company operates, among others.

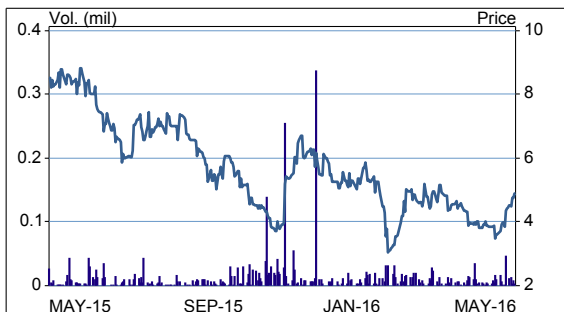


Table 1: Presbia, Inc. (LENS)—Historical Income Statements, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2015A				2015A	2016E				2016E	2017E	2018E
	1QA	2QA	3QA	4QA		1QA	2QE	3QE	4QE			
Revenue												
Product revenue	73	42	10	28	153	3	31	39	53	126	2,208	5,862
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research and other	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	73	42	10	28	153	3	31	39	53	126	2,208	5,862
Expenses												
Cost of product and service revenue	47	14	34	68	163	21	38	43	55	157	874	1,373
Research & development	1,776	2,502	2,333	1,324	7,935	1,294	1,200	1,100	1,000	4,594	3,400	3,050
Selling and marketing	519	834	760	593	2,706	679	700	720	750	2,849	3,500	5,000
General and administrative	2,319	2,007	1,762	1,391	7,479	1,778	1,300	1,000	900	4,978	5,300	8,700
Total expenses	4,661	5,357	4,889	3,376	18,283	3,772	3,238	2,863	2,705	12,578	13,074	18,123
Gain (loss) from operations	(4,588)	(5,315)	(4,879)	(3,348)	(18,130)	(3,769)	(3,206)	(2,824)	(2,653)	(12,452)	(10,866)	(12,261)
Other income/expense												
Interest income (expense)	-	-	-	-	-	5	5	5	5	20	(68)	27
Other income (expense)	-	-	(12)	-	(12)	1	-	-	-	1	-	-
Total investment income and other	-	-	(12)	-	(12)	6	5	5	5	21	(68)	27
Loss before provision for income taxes	(4,588)	(5,315)	(4,891)	(3,348)	(18,142)	(3,763)	(3,201)	(2,819)	(2,648)	(12,431)	(10,934)	(12,235)
Income tax provision	(5)	(4)	(9)	(1)	(19)	(2)	(2)	(2)	(2)	(8)	(8)	(8)
Net loss/income	(4,593)	(5,319)	(4,900)	(3,349)	(18,161)	(3,765)	(3,203)	(2,821)	(2,650)	(12,439)	(10,942)	(12,243)
Net loss per share (basic)	(0.39)	(0.40)	(0.37)	(0.25)	(1.40)	(0.28)	(0.24)	(0.21)	(0.17)	(0.89)	(0.59)	(0.59)
Net loss per share (diluted)	(0.39)	(0.40)	(0.37)	(0.25)	(1.40)	(0.28)	(0.24)	(0.21)	(0.17)	(0.89)	(0.59)	(0.59)
Weighted average number of shares outstanding (basic)	11,762	13,352	13,335	13,335	12,946	13,335	13,371	13,396	15,546	13,912	18,651	20,852
Weighted average number of shares outstanding (diluted)	11,762	13,352	13,335	13,335	12,946	13,335	13,371	13,396	15,546	13,912	18,651	20,852

Source: Company reports and Rodman & Renshaw estimates.

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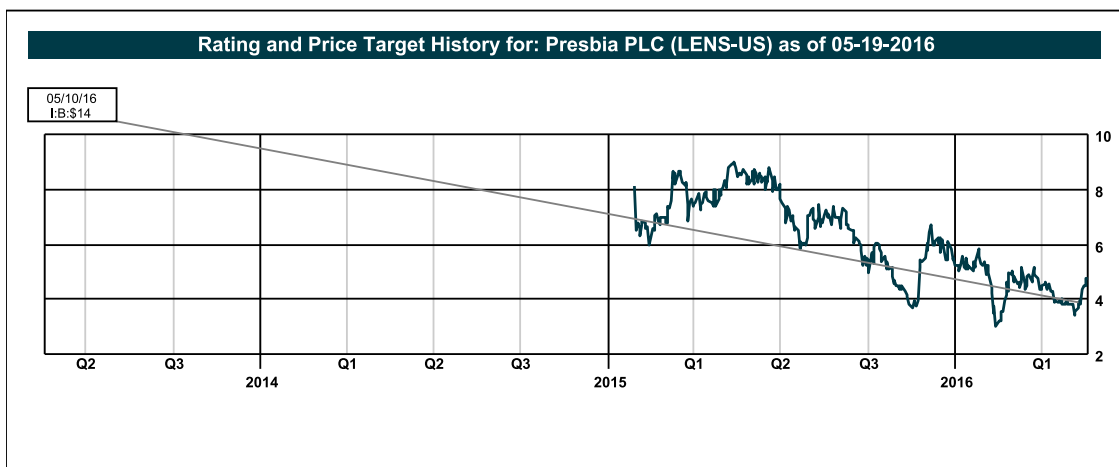
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RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.



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Distribution of Ratings Table				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	177	96.20%	47	26.55%
Neutral	3	1.63%	3	100.00%
Sell	0	0.00%	0	0.00%
Under Review	4	2.17%	1	25.00%
Total	184	100%	51	27.72%

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