Zacks Small-Cap Research

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Trius Therapeutics (TSRX-NASDAQ)

TSRX: Story Significantly Derisked, With Potential Upside On Valuation and A Deal.

Current Recommendation	**Buy**
Prior Recommendation	N/A
Date of Last Change	01/24/2011
Current Price (05/07/13)	$6.58
Target Price	**$12.00**

UPDATE

We believe the commercial opportunity for Trius Therapeutics' tedizolid phosphate is significant, at roughly $750 million worldwide. We see the story as mostly derisked, given the positive and consistent results from the two phase 3 studies, ESTABLISH-1 and ESTBALISH-2, that how tedizolid is non-inferior to Pfizer's $1.3 billion drug Zyvox (linezolid); only tedizolid has superior dosing, safety, tolerability, and potentially improved efficacy in a growing number of vancomycin and linezolid-resistant strains. Trius plans to file the U.S. NDA application during the second half of 2013.

Trius has partnered with Bayer AG for commercialization of tedizolid in Asia. We are expecting a deal for the EU rights to the drug in the next few months. We see $12 as fair-value and believe the name is low risk / high reward at this level.

SUMMARY DATA

52-Week High	**$7.05**
52-Week Low	**$4.45**
One-Year Return (%)	**28.57**
Beta	**0.26**
Average Daily Volume (sh)	**636,503**
Shares Outstanding (mil)	**48**
Market Capitalization ($mil)	**$323**
Short Interest Ratio (days)	**2.02**
Institutional Ownership (%)	**49**
Insider Ownership (%)	**25**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2013 Estimate	**N/A**
P/E using 2014 Estimate	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	9.8 A	6.2 A	6.0 A	5.2 A	27.2 A
2013	1.7 A	2.0 E	2.5 E	2.5 E	8.7 E
2014					10.0 E
2015					40.6 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	-$0.22 A	-$0.37 A	$0.46 A	-$0.36 A	-$1.42 A
2013	-$0.38 A	-$0.28 E	$0.35 E	-$0.38 E	-$1.36 E
2014					-$1.35 E
2015					-$0.65 E

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WHAT'S NEW

Financial Results

On May 7, 2013, Trius Therapeutics reported financial results for the first quarter 2013. Total revenues in the quarter were $1.727 million, and consisted of $0.529 million in contract research from the company's NIAID and DTRA grants and $1.198 million collaborative and licensing fees from Bayer Pharma AG, the company's partner in Asia/Pacific market for tedizolid phosphate. Revenues were in-line with expectations.

Net loss in the quarter totaled $17.3 million, or 38 cents per share. Research and Development expenses in the quarter totaled $12.5 million. S&GA expense totaled $4.5 million. R&D was lower than expected, down from the $19.3 million in the third quarter 2012 and $16.5 million in the fourth quarter 2012. Now that ESTABLISH-2 has completed we expect low R&D expense until the initiation of a phase 3 pneumonia study later in 2013. SG&A was right in-line with expectations. We note that management continues with pre-commercialization activities ahead of the planned tedizolid new drug application (NDA) schedule for the second half of 2013.

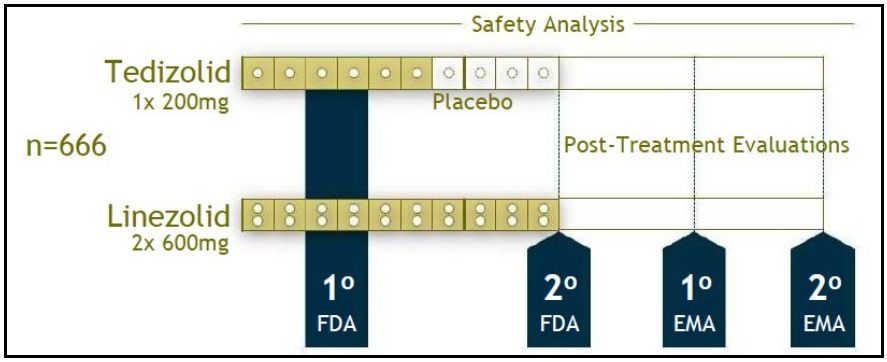
…Solid Cash Position…

Cash as of March 31, 2013 stood at $83.8 million. We remind investors that the company entered into an underwritten public offering by selling 7.169 million shares of common stock at $4.75 per share, resulting in net proceeds of $31.6 million, in January 2013. Taking into account an estimated operating burn of around $15 million in the second quarter 2013, we forecast that Trius will report roughly $67.5 million in cash as of June 30, 2013. We find this to be sufficient to fund operations well into 2014. Now that the phase 3 program for tedizolid in ABSSSI has been successfully completed, we see significant potential for non-dilutive cash through the forming of a commercialization partnership in the European Union. We believe a transaction can get done later in 2013.

ESTABLISH-2 Hits!

On March 25, 2013, Trius Therapeutics announced top-line results from the ESTABLISH-2 phase 3 clinical trial of tedizolid phosphate for the treatment of acute bacterial skin and skin structure infections (ABSSSI), including methicillin resistant *Staphylococcus aureus* (MRSA). Results show that EASTABLISH-2, an intravenous (IV) to oral transition study, met the primary and key secondary endpoints for both U.S. U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA) regulatory guidelines for ABSSSI, and confirm the previous data from the ESTABLISH-1 all oral dose phase 3 trial.

ESTABLISH-2 was conducted at 95 sites in North and South America, Europe, Australia, New Zealand and South Africa. The randomized, double-blind study pitted 200 mg of tedizolid once daily for six days (plus four days of placebo) vs. 600 mg of linezolid, sold as Pfizer's Zyvox, twice daily for 10 days. Patients initially received the IV dosage form of either tedizolid or linezolid with the option to switch to the respective oral dosage forms at the discretion of the clinical investigator on or after the second day of treatment.



The primary endpoint was non-inferiority (10% NI margin) to linezolid as measured by a 20% or greater reduction in lesion area at 48 to 72 hours after the first infusion of study drug. Tedizolid also met all secondary efficacy endpoints measured at both the end of therapy and post treatment evaluations. Top-line results on an intent-to-treat (ITT) analysis from the trial are presented below, including some interesting sub-set analysis based on efficacy by infection type and pathogen:

EASTABLISH-2	Tedizolid 200mg 6 Days QD (n=332)	Linezolid 600mg 10 Days BID (n=334)	Comments
Primary Endpoint			
>20% Decrease from Baseline in Lesion Area at 48-72 hours	85.2%	82.6%	+2.6 (-3.0 to 8.2) 95% CI
Secondary Endpoint			
Sustained Clinical Response at End of Therapy	87.0%	88.0%	
Investigators Assessment of Clinical Response at 7-14 Days at End of Therapy	88.0%	87.7%	Primary Endpoint For EU-MAA Filing
Cessation of Spread and Absence of Fever at 48-72 hours	85.8%	81.4%	Sensitivity Analysis / 2010 FDA Guidelines
Efficacy By Infection Type			
Cellulitis / Erysipelas (n=166 / n=168)	80.7%	80.4%	Difficult to treat population
Major Cutaneous Abscess (n=68 / n=68)	86.8%	89.7%	
Wound Infection (n=98 / n=98)	91.8%	81.6%	Mgmt looking into this
Efficacy By Pathogen – Post Treatment Evaluation			
Staphylococcus aureus	90.5%	88.0%	
PVL + *Staphylococcus aureus*	88.2%	83.1%	
MRSA	81.1%	76.8%	Superior?
MSSA	95.2%	93.7%	
Streptococcus pyogenes	92.0%	93.8%	

Management hopes to be in position to present a full analysis from ESTABLISH-2 at ICAAC in September 2013. However, from what we have seen, the data from ESTABLISH-2 confirms the previous positive results from ESTABLISH-1. Below we highlight some of the similarities and differences between the two pivotal phase 3 programs in ABSSSI.

Tedizolid Phase 3	ESTABLISH-1	ESTABLISH-2
Dosing	Oral	IV-to-Oral
Demographics	US 80% / Ex-US 20%	US 47% / Ex-US 53%
MRSA %	42.6%	27.1%
Primary Endpoint	Lesion Spread & Absence of Fever	>20% Reduction In Lesion Spread

…Differentiation Is In The Details…

Despite differences in dosing, demographics, percent of patients with MRSA, and the primary endpoint, the results between ESTABLISH-1 and ESTABLISH-2 are remarkably consistent.

Tedizolid Phase 3	Tedizolid		Linezolid	
	ESTABLISH-1	ESTABLISH-2	ESTABLISH-1	ESTABLISH-2
Efficacy Assessment				
>20% Decrease from Baseline in Lesion Area at 48-72 hours	78.0%	85.2%	76.1%	82.6%
Sustained Clinical Response at End of Therapy	87.0%	87.0%	87.8%	88.0%
Investigators Assessment of Clinical Response at 7-14 Days at End of Therapy	85.5%	88.0%	86.0%	87.7%
Cessation of Spread and Absence of Fever at 48-72 hours	79.5%	85.8%	79.4%	81.4%

We remind investors that Pfizer sold $1,345 million on linezolid (Zyvox) in 2012, up 5% from the $1,283 million sold in 2011. In the U.S., Zyvox sales were $665 million, up 4% in 2012. Sales in the EU at $302 million and the rest of the developed world at $154 million were essentially flat. However, sales in emerging markets totaled $224 million, up a solid 19% for the 13 year old drug.

We believe the clinical data from ESTABLISH-1 and ESTABLISH-2 clearly proves non-inferiority of tedizolid compared to linezolid. There may even be clinical superiority in wound infections. However, the true differentiation between the two drugs comes in the dosing, safety and tolerability, and lack of drug-drug interactions. Management is also exploring the use of tedizolid in linezolid-resistant strains. We hope to see more data on this in 2013.

With respect to the dosing advantage, tedizolid wins by a wide margin. Tedizolid is 200 mg dosed once daily for a total of six days. Linezolid is 600 mg doses twice daily for a total of 10 days. That's 1,200 mg total for tedizolid vs. 12,000 mg total for linezolid.



Tedizolid



Linezolid

With respect to safety and tolerability, the data from ESTABLISH-1 and ESTABLISH-2 clearly shows a benefit in favor of tedizolid on drug related adverse events, gastrointestinal adverse events, and discontinuations.

EASTABLISH-2	Tedizolid 200mg 6 Days QD (n=332)	Linezolid 600mg 10 Days BID (n=334)	Comments
Safety & Tolerability			
Treatment Emergent Adverse Events	**45.3%**	**43.7%**	
Drug Related Averse Events	**20.5%**	**24.8%**	
Gastrointestinal Adverse Events	**16.0%**	**20.5%**	**Consistent with ESTABLISH-1 Results**
Platelet Level Below Normal	**13.5%**	**13.0%**	**No difference, unlike EST-1.**
Discontinuations Rate	**5.4%**	**8.4%**	

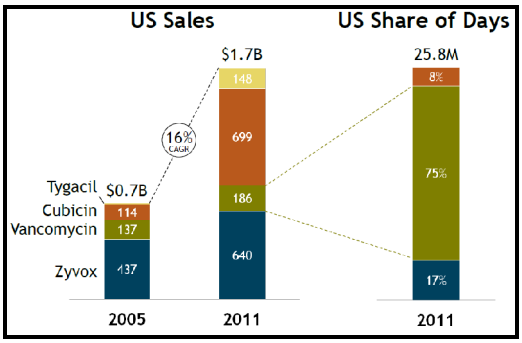
Tedizolid Phase 3	Tedizolid		Linezolid	
	ESTABLISH-1	ESTABLISH-2	ESTABLISH-1	ESTABLISH-2
Safety Assessment				
Treatment Emergent Adverse Events	40.8%	45.3%	43.3%	43.7%
Drug Related Averse Events	24.2%	20.5%	31.0%	24.8%
Gastrointestinal Adverse Events	16.3%	16.0%	25.4%	20.5%
Platelet Level Below Normal	9.2%	13.5%	14.9%	13.0%

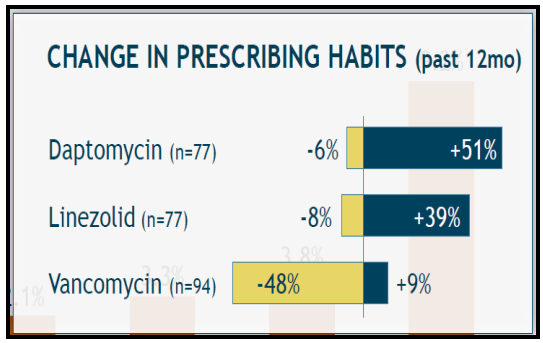
Safety and tolerability go hand-in-hand with dosing. Tedizolid may be a safer and more tolerable drug than linezolid, or it may just have less adverse events because of the far smaller total dosage and shorter duration of therapy. Evidence exists that a significant percent of Zyvox (linezolid) sales is off-label, some of which may be long-term use and some of which may be bacteremia. The Zyvox label states the maximum course of therapy should be 28 days, possibly due to effects on mitochondria (Palenzuela et al, 2005; Garrabou et al, 2007). A shorter, more powerful drug like tedizolid may have run into the same problems.

Management has also presented data, most recently at ECCMID in April 2013, showing no pharmacokinetic (PK) drug-drug interactions after co-administration of tedizolid and pseudoephedrine (PSE), a commonly used over-the-counter decongestant and a model compound to test for potential monoamine oxidase (MAO) mediated pharmacodynamic (PD) interactions. We remind investors that the Zyvox label contraindicates use of linezolid with MAO inhibitors. This creates another potential key differentiator for Trius when marketing tedizolid to physicians.

However, a big potential differentiator between the two drugs in future clinical use could be physicians and infectious disease doctors migrating toward tedizolid due to the growing prevalence of linezolid-resistant strains of *staphylococcus aureus*. The shift from linezolid to tedizolid could echo the shift from vancomycin to linezolid over a decade ago. Prior to linezolid approval, *staphylococcus aureus* resistance to vancomycin was low, less than 2%. However, vancomycin-intermediate *staphylococcus aureus* (VISA) is growing, and may be has high as 20% now in the U.S. The growing resistance to vancomycin causes a shift in prescribing habits to the new linezolid – this despite the cheap price of generic vancomycin versus the new and expensive Zyvox.

The market is shifting to more effective drugs, and price is becoming less of a factor. Prescribing habits are changing thanks to growing MRSA resistance to vancomycin. It is clear that resistance to linezolid is also growing. Yet, use of Cubicin and Zyvox was up 40-50% in 20111 versus a near 50% decrease in use for generic vancomycin.





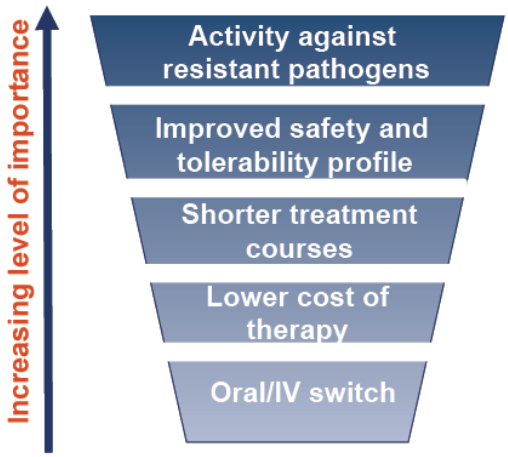
Trius has presented data demonstrating tedizolid effectiveness in some growing linezolid-resistant strains. We saw clear evidence of superior *in vitro* activity against *Staphylococcal* isolates with tedizolid compared to linezolid at ICAAC in 2012. Additional data presented by Trius shows that tedizolid consistently demonstrates more potent *in vitro* activity than linezolid, daptomycin, or vancomycin against *E. faecalis* and *E. faecium*; and was consistently more potent *in vitro* than linezolid against all the organism groups studied.

Best-In-Class Profile

Initial market research conducted by management on formulary acceptance shows that with a non-inferior profile to Zyvox, tedizolid will see broad (~90%) Tier-2 coverage at parity pricing per course of treatment (~$1,500) to Zyvox. This includes a range of indications, including skin, HAP/VAP, Bacteremia, and MRSA. We estimate 1% market share of the U.S. hospital market is $50 million in sales, and 1% of the outpatient market is $25 million in sales.

Trius held an R&D day in early December 2011 that offered perspective from two leading physicians with significant experience in treating patients with MRSA: Dr. Ralph Corey, Profession or Medicine and Infectious disease at Duke University and Dr. Jeff Kingsley, CEO of the Southeast Regional Research Group.

Both doctors concluded that despite the availability of generic vancomycin and expensive branded products such as Zyvox (linezolid), Cubicin (daptomycin), and Tygacil (tigecycline), a void remained in the market for a highly effective drug that met all the requirements for success. Based on data presented by management on the clinical and non-clinical history of tedizolid, we see the drug is poised to be “Best-in-Class” with a full label.



…NDA Planned For 2H-2013…

Trius plans to file a new drug application (NDA) seeking U.S. approval for tedizolid in ABSSSI in September or October 2013. Trius recently noted they have completed enrolling all supporting studies necessary for the filing. The company is analyzing data from toxicology studies and hopes to have this completed by the third quarter 2013. We remind investors that the ESTABLISH-1 and ESTABLISH-2 trails were conducted under "evolving" endpoints with respect to ABSSSI. Both trials were conducted under special protocol assessments (SPA) with the U.S. FDA, and Trius mentioned on the conference call that SPA for the ESTBLAISH-2 study was amended to align with the finalized guidelines from the agency on ABSSI. Guidance is to file the marketing authorization application (MAA) seeking approval in the European Union during the first quarter of 2014.

EU Deal Is Next Major Catalyst

We expect that Trius would like to sign a commercialization deal for tedizolid in the European Union and keep U.S. rights for themselves. We remind investors that Bayer paid Trius $25 million upfront to license tedizolid for the Asia/Pacific region. That deal also included 25% of the future global development costs for the drug in ABBBI and pneumonia, $69 million in certain development, regulatory, and commercialization milestones, and double digit royalties (we model 15%) on sales.

The deal size for Europe is difficult to predict however. On one hand, the Bayer deal was signed in July 2011, before enrollment in ESTABLISH-1 had even completed. Now Trius has data from two positive phase 3 studies in ESTABLISH-1 and ESTABLISH-2. The U.S. NDA will be filed in the next six months. The EU MAA will be filed in early 2014. That dwarfs the resume that Trius had back in July 2011 when Bayer forked over $25 million. Before the Bayer deal, in May 2011, Trius stock traded with a market capitalization of around $150 million. Today, the market value is $315 million. The story has been significantly de-risked. The market is saying Trius is worth at least twice as much, so we assume potential partners will agree.

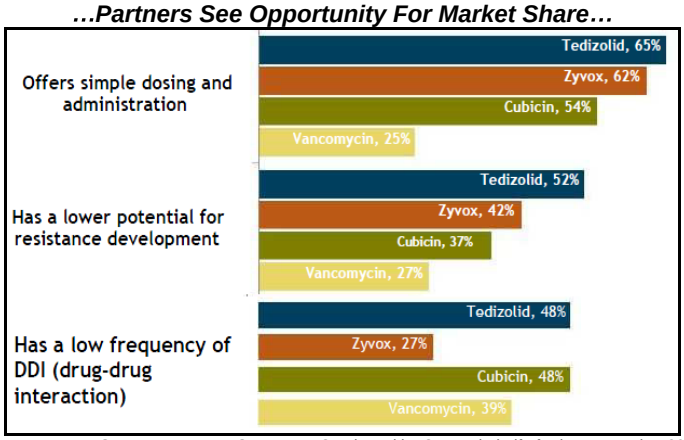
However, Europe is a stagnate market with difficult pricing. Growth in China and the rest of emerging Asia for drugs like Zyvox, Tygacil, and Cubicin is far ahead of the pace in Europe. In fact, sales of Zyvox (linezolid) were down year-over-year in 2012 to $302 million at Pfizer, versus $306 million in 2011. Sales of Tygacil were up only slightly in 2012 to $67 million versus $64 million in 2011. Emerging markets, however, showed strong growth for Zyvox, up to $224 million in 2012 versus $188 million in 2011. Any deal that Trius signs for tedizolid in Europe will take into consideration the market opportunity in Europe simply is not as large as Asia/Pacific.

We suspect that Trius would like to have a European deal in place before the MAA filing. However, with a solid cash position and plenty of work to be done between now and then in terms of presenting the data and preparing and filing the U.S. NDA, we do not expect Trius to wait around for a partner. Trius exited March 2013 with $83.8 million in cash and investments. In January 2013, the company entered into an underwritten public offering by selling 7.169 million shares of common stock at $4.75 per share, resulting in net proceeds of $31.6 million. Taking into account an estimated operating burn of around $15 million in the first quarter 2013, we forecast that Trius will report roughly $80 to $85 million in cash as of March 31, 2013. We find this to be sufficient to fund operations throughout 2013 and into 2014.

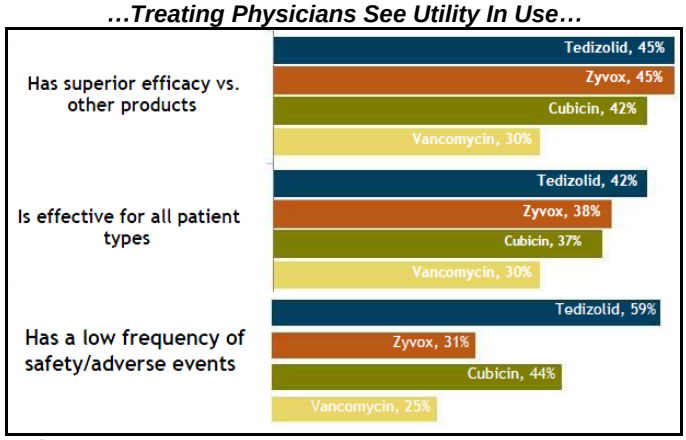
Trius plans to conduct a phase 3 pneumonia (lung) study with tedizolid to start before the end of the year. In the past, management has said they would also like to conduct a bacteremia (systemic infection) study with tedizolid. We suspect that may take place in 2014. Expanding the label indication for tedizolid is important to the future growth of the drug. With a full expanded label, tedizolid will have clear differentiation from its two closest competitors, Pfizer's Zyvox (linezolid), which is approve for us in skin and lung infections, and Cubists Cubicin (daptomycin), which is approved for skin and systematic infections. Trius goal with tedizolid is to gain approval in all three major indications of use.

We believe the company has amassed an attractive suite of clinical data that both potential commercial partners and doctors will see value in. Below is a highlight from some of the company's market research showing a strong potential for market share gains once approved:

…Partners See Opportunity For Market Share…



…Treating Physicians See Utility In Use…



Source: WAVE-1 USA Report, Conducted by CMI on behalf of Trius, November 2012, N=505

INVESTMENT THESIS

Commercial Potential Is Very Attractive

We see a significant commercial potential for tedizolid in the U.S. We believe peak sales in the $300 million to $400 million range in North America. The current market is dominated by vancomycin and linezolid. The therapeutic window on both is closing. Key for Trius is to gain the cleanest and widest label possible. Expanding the indications into HAP/VAP, pneumonia, and bacteremia provide meaningful upside to our forecast.

Trius currently owns unencumbered rights to develop, commercialize or separately partner in the U.S., Canada, and the EU. We note the company has reported entering into confidential disclosure agreements (CDAs) with several interested parties. That being said, Bayer would be an outstanding commercial partner for Trius in any market. Bayer has expertise in anti-infectants including Cipro and Avalox, and Bayer has the financial strength and experience to launch Tedizolid in Asia, including China, and Europe, as well as potential emerging markets across the Africa, Latin America, and the Middle East. We expect Bayer to commence clinical work in China / Japan shortly. We remind investors that Bayer is currently paying for 25% of the global development costs on tedizolid.

…Key Advantages vs. Both Zyvox & Cubicin…

	Zyvox (linezolid)	Cubicin (daptomycin)	Generic (vancomycin)	Tedizolid
IV & Oral Formulation	YES	NO	NO	YES
Once Daily Dosing	NO	YES	NO	YES
Short Course of Therapy	NO	NO	NO	YES
Skin Infections	YES	YES	YES	YES
Active In Lung Infections	YES	NO	NO	YES
Bacteremia	NO	YES	YES	YES
Superior Tolerability	NO	NO	NO	YES

Stock Worth $12

We have built a 10-year discounted cash flow (DCF) model to value shares of Trius Therapeutics. Our market assumptions are as follows:

- U.S. launch of Tedizolid January 1, 2015 at parity pricing to Zyvox per course of treatment
- Gain of 5% market share (days) for U.S. hospital market, 10% U.S. out-patient market
- Partner for EU market with estimated $50 million upfront and 20% royalty on sales
- EU launch of Tedizolid in mid-2015 at EU partner.
- Peak U.S. sales $372 million in 2022
- Peak EU sales at $159 million in 2022
- Peak Asia/Pacific sales at $216 million in 2023
- Discount rate of 14.0%, with 3% terminal growth rate, $0 revenue contribution from Gyrase-B

Trius Therapeutics (TSRX)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tedizolid N.A. Sales (Full)	**$0**	**$0**	**$15.4**	**$56.2**	**$121.3**	**$206.4**	**$291.9**	**$358.2**	**$383.9**	**$372.0**	**$368.3**
YoY Growth	-	-	-	*264%*	*116%*	*70%*	*41%*	*23%*	*7%*	*-3%*	*-1%*
Royalty on Ex-N.A. Sales	**$0**	**$0**	**$5.6**	**$16.2**	**$27.5**	**$37.2**	**$44.7**	**$52.4**	**$58.8**	**$63.4**	**$68.3**
YoY Growth	-	-	-	*187%*	*70%*	*35%*	*20%*	*17%*	*12%*	*8%*	*8%*
Pipeline	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Grants, Licensing & Collabs	**$30.0**	**$5.0**	**$35.0**	**$0.0**	**$15.0**	**$0.0**	**$15.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Cash Revenues (in Millions)	**$30.0**	**$5.0**	**$56.0**	**$72.3**	**$163.8**	**$243.7**	**$351.6**	**$410.6**	**$442.7**	**$435.4**	**$436.6**
CoGS	*$0*	*$0*	*$1.5*	*$5.6*	*$11.5*	*$18.6*	*$24.8*	*$28.7*	*$30.7*	*$29.8*	*$29.5*
R&D	*$61.5*	*$50.0*	*$40.0*	*$35.0*	*$35.0*	*$35.0*	*$35.0*	*$35.0*	*$35.4*	*$34.8*	*$34.9*
SG&A	*$19.0*	*$30.0*	*$35.5*	*$39.6*	*$46.1*	*$54.6*	*$63.2*	*$69.8*	*$72.4*	*$71.2*	*$70.8*
Other Expenses	*$0*	*$13.0*	*$2.5*	*$7.8*	*$14.5*	*$21.7*	*$28.4*	*$34.0*	*$37.1*	*$37.9*	*$39.2*
EBITDA	($50.5)	($88.0)	($23.6)	($15.7)	$56.7	$113.7	$200.2	$243.1	$267.1	$261.7	$262.2
Depreciation and amortization	*$0.5*	*$0.5*	*$0.5*	*$0.5*	*$0.5*	*$1.0*	*$1.5*	*$2.0*	*$2.5*	*$3.0*	*$3.5*
EBIT	**($51.0)**	**($88.5)**	**($24.1)**	**($16.2)**	**$56.2**	**$112.7**	**$198.7**	**$241.1**	**$264.6**	**$258.7**	**$258.7**
EBITDA margin	*-170.2%*	*-1770.0%*	*-42.9%*	*-22.4%*	*34.3%*	*46.2%*	*56.5%*	*58.7%*	*59.8%*	*59.4%*	*59.2%*
Cash Taxes	$0	$0	$0	$0	($2.8)	($22.5)	($63.6)	($77.2)	($84.7)	($82.8)	($82.8)
Tax Rate	*0%*	*0%*	*0%*	*0%*	*5.0%*	*20.0%*	*32.0%*	*32.0%*	*32.0%*	*32.0%*	*32.0%*
Discounted Cash Flow											
Cash Income	($51.0)	($88.5)	($24.1)	($16.2)	$53.4	$90.1	$135.1	$164.0	$179.9	$175.9	$175.9
Net Cash Changes	$5.5	$6.0	$6.5	$7.0	$7.5	$8.0	$8.5	$9.0	$9.5	$10.0	$10.5
Post-Tax Operating Cash Flow	**($45.5)**	**($82.5)**	**($17.6)**	**($9.2)**	**$60.9**	**$98.1**	**$143.6**	**$173.0**	**$189.4**	**$185.9**	**$186.4**
Dividends / Payments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Free Cash Flow	**($45.5)**	**($82.5)**	**($17.6)**	**($9.2)**	**$60.9**	**$98.1**	**$143.6**	**$173.0**	**$189.4**	**$185.9**	**$186.4**

Assumptions	
Discount Rate:	14.0%
Terminal Growth:	3%
Net Cash Position:	$82.5

Valuation	
10-Year Model:	$182.0
Terminal Value:	$383.5
Firm Value:	**$648.0**

Price Target	
Basic Outstanding:	47.9
Warrants / Options:	5.6
Price Price:	**$12.13**

Source: Zacks Investment Research, Inc. *Jason Napodano, CFA*

PROJECTED FINANCIALS

Trius Therapeutics, Inc.
Income Statement

Trius Tx	2012 E	Q1 A	Q2 E	Q3 E	Q4 E	2013 E	2014 E	2015 E	2016 E
Tedizolid (N.A. Sales)	$0	$0	$0	$0	$0	$0	$0	$15.4	$56.2
YOY Growth	-	-	-	-	-	-	-	-	-
Tedizolid (EU Royalties)	$0	$0	$0	$0	$0	$0	$0	$2.6	$6.8
YOY Growth	-	-	-	-	-	-	-	-	-
Tedizolid (Asia/EM Royalties)	$0	$0	$0	$0	$0	$0	$0	$2.6	$8.4
YOY Growth	-	-	-	-	-	-	-	-	-
Total Tedizolid Revs	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$21**	**$71**
YOY Growth	-	-	-	-	-	-	-	-	-
Contracts & Collaborations	**$27.2**	**$1.7**	**$2.0**	**$2.5**	**$2.5**	**$8.7**	**$10.0**	**$20.0**	**$21.0**
YOY Growth	*-33.7%*	-	-	-	-	*-67.9%*	*14.6%*	*100.0%*	*5.0%*
Total Revenues	**$27.2**	**$1.7**	**$2.0**	**$2.5**	**$2.5**	**$8.7**	**$10.0**	**$40.6**	**$92.4**
YOY Growth	*-33.7%*	-	-	-	-	*-67.9%*	*14.6%*	*306.0%*	*127.5%*
CoGS	$0	$0	$0	$0	$0	$0	$0	$1.5	$5.6
Product Gross Margin	*0%*	-	-	-	-	*0.0%*	*0%*	*0%*	*100%*
R&D	$69.0	$12.5	$12.0	$15.0	$16.5	$56.0	$50.0	$40.0	$41.0
% R&D	*253.9%*	-	-	-	-	*642.1%*	*500.0%*	*98.5%*	*44.4%*
SG&A	$15.4	$4.5	$4.6	$4.8	$5.0	$18.9	$30.0	$35.4	$39.5
% SG&A	*56.6%*	-	-	-	-	*216.6%*	*300.0%*	*87.3%*	*42.8%*
Operating Income	($57.2)	($15.3)	($14.6)	($17.3)	($19.0)	($66.2)	($70.0)	($36.4)	$6.2
Operating Margin	*-210.5%*	-	-	-	-	*-758.6%*	*-700.0%*	*-89.6%*	*6.7%*
Interest & Other Income	$3.3	($2.0)	$1.0	$0.5	$0.5	$0.0	$2.5	$2.5	$3.5
Pre-Tax Income	($53.9)	($17.3)	($13.6)	($16.8)	($18.5)	($66.2)	($67.5)	($33.9)	$9.7
Taxes & Other	$0	$0	$0	$0	$0	$0	$0	$0	$1
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*100%*
Net Income	($53.9)	($17.3)	($13.6)	($16.8)	($18.5)	($66.2)	($67.5)	($33.9)	$8.7
Net Margin	*-198.4%*	-	-	-	-	*-758.1%*	*-675.0%*	*-83.5%*	*9.4%*
Reported EPS	**($1.42)**	**($0.38)**	**($0.28)**	**($0.35)**	**($0.38)**	**($1.36)**	**($1.35)**	**($0.65)**	**$0.16**
YOY Growth	*105.5%*	-	-	-	-	*-3.6%*	*-1.1%*	*-52.2%*	*-125.3%*
Basic Shares Outstanding	38.1	46.0	47.9	48.2	48.5	48.5	50.0	52.5	53.5

Source: Zacks Investment Research, Inc. *Jason Napodano, CFA*

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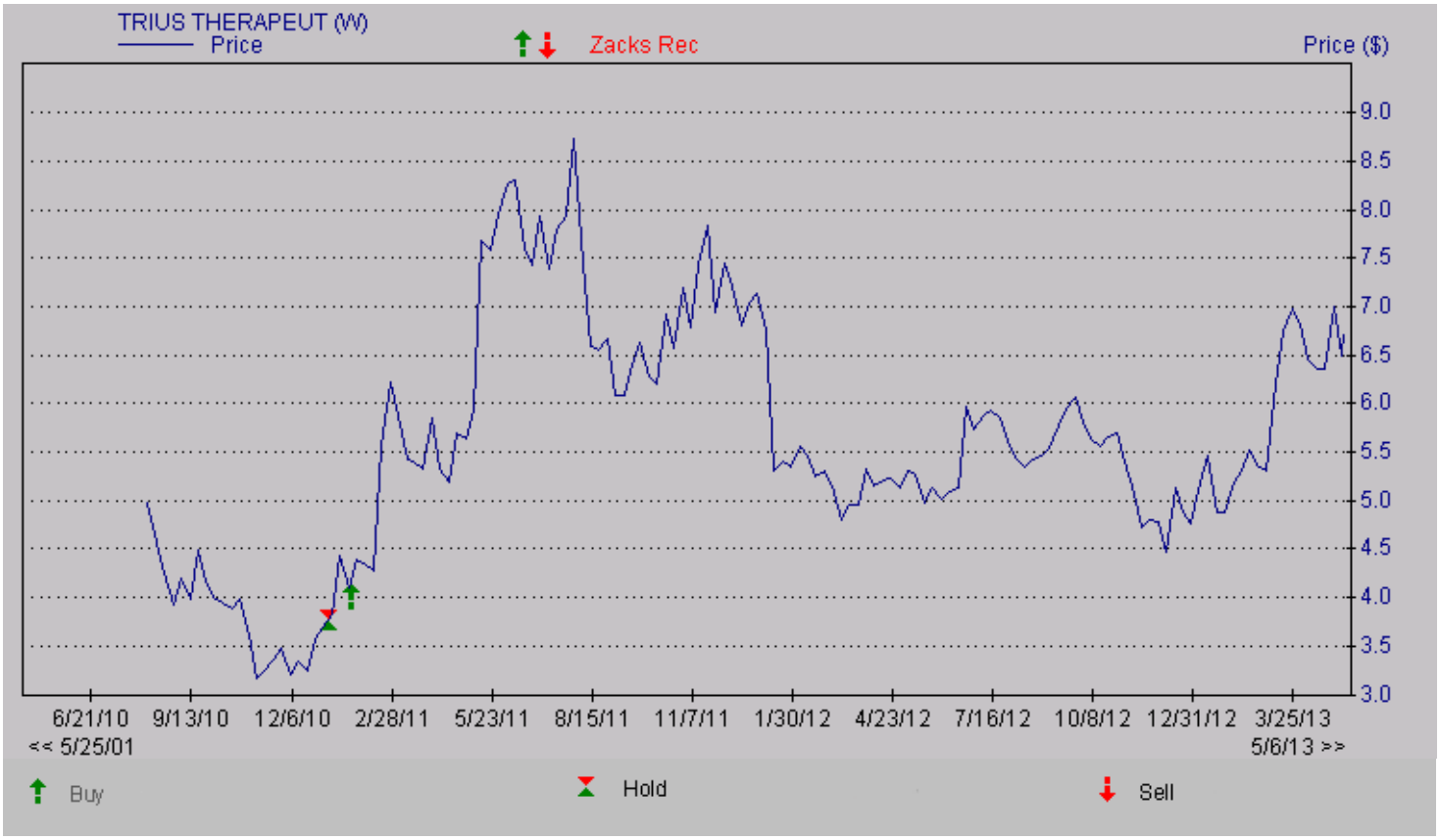
HISTORICAL ZACKS RECOMMENDATIONS



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