Aldeyra Therapeutics, Inc.
Form 424B5
September 28, 2018
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-226266

PROSPECTUS SUPPLEMENT

(to Prospectus dated July 27, 2018)

5,250,000 Shares

Aldeyra Therapeutics, Inc.

Common Stock

$13.75 per share

We are selling 5,250,000 shares of our common stock.

We have granted the underwriters an option to purchase up to 787,500 additional shares of common stock.

Our common stock is listed on The Nasdaq Capital Market under the symbol ALDX. The last reported sale price of our common stock on The Nasdaq Capital Market on September 27, 2018 was $14.35 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-7 of this prospectus supplement and page 7 of the accompanying prospectus.

We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements for this prospectus supplement, the documents incorporated by reference herein and future filings.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$ 13.75	$ 72,187,500
Underwriting Discount and Commissions(1)	$ 0.825	$ 4,331,250
Proceeds to Aldeyra (before expenses)	$ 12.925	$ 67,856,250

(1) The underwriters will also be reimbursed for certain expenses incurred in this offering. See Underwriting for details.

The underwriters expect to deliver the shares to purchasers on or about October 2, 2018 through the book-entry facilities of The Depository Trust Company.

Lead Book-Running Manager

Citigroup

Book-Running Manager

Cantor

Co-Managers

Laidlaw & Company (UK) Ltd. **Janney Montgomery Scott** **JonesTrading**

September 27, 2018

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Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and related matters. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common stock. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document incorporated by reference, the information in this prospectus supplement shall control.

All references in this prospectus supplement and the accompanying prospectus to Aldeyra, the Company, we, us, our, or similar references r to Aldeyra Therapeutics, Inc., except where the context otherwise requires or as otherwise indicated.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free-writing prospectus that we authorize to be distributed to you. We have not, and the underwriters have not, authorized anyone to provide you with different information. This prospectus supplement and the accompanying prospectus are not an offer to sell, nor are they seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus supplement, the accompanying prospectus, any document incorporated by reference herein or therein, and any free writing prospectus that we have authorized for use in connection with this offering, is complete and accurate as of the date the information is presented, but the information may have changed since that date.

Aldeyra Therapeutics and our design logo used in this prospectus supplement and the accompanying prospectus are our trademarks. This prospectus supplement and the accompanying prospectus may also include other trademarks, tradenames and service marks that are the property of their respective holders. Solely for convenience, trademarks and tradenames referred to in this prospectus supplement and the accompanying prospectus may appear without the ® and symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or that the applicable holder will not assert its rights, to these trademarks and tradenames.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference in these documents contain forward-looking statements. Words such as, but not limited to, believe, expect, anticipate, estimate, intend, plan, project, target, go would, and could, or the negative of these terms and similar expressions or words, identify forward-looking statements. Forward-looking statements are based upon current expectations that involve risks, changes in circumstances, assumptions and uncertainties. Important factors that could cause actual results to differ materially from those reflected in our forward-looking statements include, among others:

- the timing of enrollment, commencement and completion of our clinical trials;
- the timing and success of preclinical studies and clinical trials conducted by us and our development partners;
- the ability to obtain and maintain regulatory approval of our product candidates, and the labeling for any approved products;
- the scope, progress, expansion, and costs of developing and commercializing our product candidates;
- the size and growth of the potential markets and pricing for our product candidates and the ability to serve those markets;
- our expectations regarding our expenses and revenue, the sufficiency or use of our cash resources and needs for additional financing;
- the rate and degree of market acceptance of any of our product candidates;
- our expectations regarding competition;
- our anticipated growth strategies;
- our ability to attract or retain key personnel;
- our ability to establish and maintain development partnerships;
- our expectations regarding federal, state and foreign regulatory requirements;
- regulatory developments in the United States and foreign countries;
- our ability to obtain and maintain intellectual property protection for our product candidates; and

the anticipated trends and challenges in our business and the market in which we operate.

All written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We caution investors not to rely on the forward-looking statements we make or that are made on our behalf as predictions of future events. We undertake no obligation, and specifically decline any obligation, to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein include statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties. Industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe these industry publications and third-party research, surveys and studies are reliable, we have not independently verified such data.

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In addition, you should refer to the sections of this prospectus supplement and the accompanying prospectus entitled Risk Factors as well as the documents we have incorporated by reference for a discussion of other important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this prospectus supplement will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read together with, the more detailed information and financial statements and related notes thereto appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. Before you decide to invest in our common stock, you should read the entire prospectus supplement and the accompanying prospectus carefully, including the risk factors and the financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

Company Overview

We are developing next-generation medicines to improve the lives of patients with immune-mediated diseases. Our lead product candidate, reproxalap, is a first-in-class treatment in late-stage development for dry eye disease and other forms of ocular inflammation. We are leveraging our experience in ocular inflammation to develop other product candidates for systemic inflammatory disease. We intend to commercialize our products directly and through collaborations that expand global reach.

Inflammation is a significant component of many different diseases, including cardiovascular, metabolic, neurological, and musculoskeletal conditions, affecting tens of millions of patients in the United States and hundreds of millions of patients worldwide. Given the complexity of immune dysregulation, which involves many mediators and signaling pathways, rarely is any single therapeutic approach effective, and most inflammatory diseases are inadequately treated. As such, we believe inflammatory diseases represent considerable unmet medical need, and new immune-modulating therapies are therefore in high demand. In aggregate, we believe the potential markets for novel therapeutics that treat inflammation are considerable, representing in excess of $50 billion worldwide.

Our first immune-modulating therapeutic approach is, we believe, mechanistically novel, and is focused on the sequestration of pro-inflammatory aldehyde-containing mediators, which we refer to as RASP (Reactive Aldehyde Species). We have developed a family of novel small molecule RASP scavengers, led by our product candidate reproxalap, which has been shown in multiple clinical trials to diminish inflammation. In addition to the RASP scavenger platform, we intend to discover or license other immune-modulating product candidates with novel mechanisms of action. For example, we have in-licensed a clinical-stage product candidate ADX-1612 (investigated in oncology under the name ganetespib), which inhibits Heat Shock Protein 90 (Hsp90), a mechanistically differentiated potential approach for treatment of a number of inflammatory diseases.

As a topical ophthalmic solution, reproxalap was developed for the treatment of ocular inflammation, and has now demonstrated statistically and clinically significant improvement across an aggregate of five Phase 2 clinical trials in dry eye disease, allergic conjunctivitis, and noninfectious anterior uveitis. Utilizing our experience in ocular inflammation, we intend to develop other RASP scavengers for systemic immune disease. In addition to our internal product development for systemic inflammatory diseases, we announced in February 2018 a partnership with Janssen, a Johnson & Johnson company, to develop other RASP scavengers for systemic immune-mediated diseases. In the future, we may enter into additional partnerships that facilitate the development and commercialization of our product candidates.

As a topical dermatologic formulation, reproxalap demonstrated activity in improving the dermatologic disease in patients with Sjögren-Larsson Syndrome (SLS), a rare inborn error of metabolism caused by genetic mutations in fatty aldehyde dehydrogenase, leading to accumulation of toxic aldehydes. SLS patients suffer from severe and generally intractable dermatologic and neurological disease. There is no therapy specifically for SLS that has been approved by the United States Food & Drug Administration (FDA), and no therapy is generally

effective for the treatment of the skin disorder associated with SLS. As with our inflammation programs, we intend to continue to develop and, if approved by regulatory authorities, commercialize reproxalap for the treatment of the skin disease associated with SLS.

Our programs in SLS, noninfectious anterior uveitis, and allergic conjunctivitis have begun Phase 3 clinical testing. For allergic conjunctivitis, the ongoing Phase 3 clinical trial was designed to assess ocular itching following administration of allergen directly to the eye. In addition, as we prepare for a subsequent Phase 3 clinical trial in allergic conjunctivitis, we expect to initiate two clinical methods development studies to assess the feasibility of measuring ocular itching following environmental exposure to allergen.

In September 2018, we announced the results of a randomized, vehicle-controlled, parallel-group, multi-center, double-masked Phase 2b clinical trial of 0.1% and 0.25% concentrations of reproxalap topical ophthalmic solution versus vehicle in dry eye disease. Relative to patients treated with vehicle, patients treated with the 0.25% concentration of reproxalap had statistically significant and clinically relevant reductions in the Four-Symptom Ocular Dryness Score ($p<0.05$) and the Overall Ocular Discomfort Symptom Score ($p<0.05$). Symptom improvement greater than that of vehicle was consistently observed across all measures, and activity versus vehicle was demonstrated as early as two weeks (the first assessment following initiation of therapy). The early onset of symptomatic improvement is consistent with the Phase 2a clinical trial of topical ocular reproxalap in dry eye disease, and is supportive of a differentiated product profile relative to standard of care. Patients treated with the 0.25% concentration of reproxalap also demonstrated reductions in ocular fluorescein staining score that were statistically superior to those of patients treated with vehicle ($p<0.05$). Both 0.1% and 0.25% reproxalap concentrations demonstrated activity relative to vehicle, and a clear dose response was observed. Consistent with previous clinical trials, topical ocular reproxalap was well tolerated, and reported adverse events were generally mild. We plan to initiate a Phase 3 program in dry eye disease in 2019 following our discussion with regulatory authorities.

In September 2018, we announced positive results from the MESO-2 investigator-sponsored Phase 1/2 clinical trial of ADX-1612 (ganetespib) in patients with pleural malignant mesothelioma. ADX-1612, when combined with standard pemetrexed and platinum therapy, resulted in partial response rates that exceeded historical standard of care. ADX-1612 is a selective inhibitor of heat shock protein 90 (Hsp90), a molecular chaperone that controls the folding and activation of client proteins involved in DNA repair and cell division. The MESO-2 investigator-sponsored dose escalation clinical trial was designed to assess the safety, tolerability, and efficacy of ADX-1612 in combination with standard pemetrexed and platinum therapy, using either cisplatin or carboplatin. Twenty-seven patients with pleural malignant mesothelioma were enrolled at a single site in the UK and divided into one of three cohorts receiving 100, 150, or 200mg/m^2 of ADX-1612 on days 1 and 15 every 21 days. Of 23 evaluable patients, 22 patients (96%) manifested stable disease or clinical response, and one patient (4%) with non-epithelial histology progressed, as measured by via RECIST (Response Evaluation Criteria in Solid Tumors) criteria. The overall response rate was 61%, relative to historical standard of care response rates of 20 to 40%. The response rate in patients with epithelial histology was 76%. In seven patients, reduction of tumor burden was greater than 50%. One patient remained progression-free after 37 months. ADX-1612 was observed to be well-tolerated, and dose-limiting toxicity was observed in three patients, all of whom were enrolled in the highest dose group. We plan to initiate a Phase 2 clinical trial of ADX-1612 in mesothelioma, following discussion with regulatory authorities.

Our systemic inflammation programs for our RASP scavenger platform and ADX-1612 are expected to begin clinical testing in 2019. A novel RASP scavenger is in preclinical development for retinal disease. All of our development timelines may be subject to adjustment depending on recruitment rate, regulatory review, preclinical and clinical results, and other factors that could delay the initiation, completion, or reporting of clinical trials.

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We have no products approved for sale. We will not receive any revenue from any product candidates that we develop until we obtain regulatory approval and commercialize such products or until we potentially enter into agreements with third parties for the development and commercialization of product candidates. In addition, it may be difficult or not possible to obtain from the FDA orphan drug designation or a designation that facilitates and expedites development and review of certain new drugs, including breakthrough therapy designation, fast track designation or any other expedited status that we may apply for in the future, for reproxalap or our other product candidates, and if we are unable to obtain such designations, our regulatory and commercial prospects may be negatively impacted. If our development efforts for any of our product candidates result in regulatory approval or we enter into collaboration agreements with third parties, we may generate revenue from product sales or from such third parties. We have primarily funded our operations through the sale of our convertible preferred stock, common stock, convertible promissory notes, warrants and borrowings under our loan and security agreements. We will need to raise additional capital in the form of debt or equity or through partnerships to fund additional development of reproxalap and other aldehyde traps, and we may in-license, acquire, or invest in complementary businesses or products. In addition, contingent on capital resources, we may augment, diminish or otherwise modify our clinical development plans.

Since our incorporation, we have devoted substantially all of our resources to the preclinical and clinical development of our product candidates. Our ability to generate revenues largely depends upon our ability, alone or with others, to complete the development of our product candidates to obtain the regulatory approvals for and to manufacture, market and sell our products and product candidates. The results of our operations will vary significantly from year-to-year and quarter-to-quarter and depend on a number of factors, including risks related to our business and industry, risks relating to intellectual property and other legal matters, risks related to our common stock, and other risks that are detailed in, or incorporated by reference into, the section of this prospectus supplement entitled Risk Factors.

Our Corporate Information

We were incorporated in the state of Delaware on August 13, 2004 as Neuron Systems, Inc. On December 20, 2012, we changed our name to Aldexa Therapeutics, Inc. and on March 17, 2014, we changed our name to Aldeyra Therapeutics, Inc. Our principal executive offices are located at 131 Hartwell Avenue, Suite 320, Lexington, Massachusetts 02421. Our telephone number is (781) 761-4904. Our website address is www.aldeyra.com. Information contained on our website is not incorporated by reference into this prospectus supplement, and you should not consider information contained on our website to be part of this prospectus supplement or in deciding whether to purchase shares of our common stock. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are available free of charge on the Investors portion of our website at http://ir.aldeyra.com/ as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission (SEC).

Implications of Being an Emerging Growth Company

As a company with less than $1.07 billion in revenue during our last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (JOBS Act). An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

- a requirement to have only two years of audited financial statements and only two years of related management s discussion and analysis;
- exemption from the auditor attestation requirement on the effectiveness of our internal controls over financial reporting;

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reduced disclosure about the company s executive compensation arrangements; and

no non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions until December 31, 2019 or until such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.07 billion in annual revenue, have more than $700 million in market value of our capital stock held by non-affiliates, or issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced burdens.

We have elected to take advantage of certain of the reduced disclosure obligations in this prospectus supplement, the accompanying prospectus and in the documents incorporated herein and therein by reference and may elect to take advantage of other reduced reporting requirements in future filings. Additionally, as a smaller reporting company we have taken advantage of certain reduced reporting obligations available to smaller reporting companies.

The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. We have irrevocably elected not to avail ourselves of this exemption and, as a result, we adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies that are not emerging growth companies.

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THE OFFERING

Common stock offered by us	5,250,000 shares of common stock.
Option to purchase additional shares	We have granted the underwriters an option for a period of up to 30 days from the date of this prospectus supplement to purchase up to 787,500 additional shares of common stock at the public offering price less the underwriting discounts and commissions.
Offering price	$13.75 per share of common stock.
Common stock to be outstanding after this offering	26,092,198 shares (or 26,879,698 shares if the underwriters exercise in full their option to purchase additional shares).
Use of Proceeds	We intend to use the net proceeds from this offering, together with our existing cash resources, for the continued development of reproxalap and our other product candidates, including a planned Phase 3 clinical program in dry eye disease, our Phase 3 clinical trial programs in noninfectious anterior uveitis, allergic conjunctivitis, and SLS, one or more planned Phase 1 clinical trials of systemically or intravitreally administered reproxalap or another product candidate, one or more planned Phase 2a clinical trials of reproxalap or another product candidate in SLS, or systemic inflammation, a planned Phase 2 clinical trial of ADX-1612 in patients with pleural malignant mesothelioma, and a planned Phase 2 clinical trial in post-transplant lymphoproliferative disorder, debt maintenance, working capital and other general corporate purposes. We may also use a portion of the net proceeds to acquire or invest in businesses, products or technologies that we believe are complementary to our own. See the section titled Use of Proceeds.
Risk Factors	You should read the Risk Factors section of this prospectus supplement and in the documents incorporated by reference in this prospectus supplement for a discussion of factors to consider before deciding to purchase shares of our common stock.
Nasdaq Capital Market symbol	ALDX

The number of shares of our common stock outstanding is based on 20,842,198 shares of our common stock outstanding as of June 30, 2018 and excludes the following:

- 3,402,163 shares of common stock issuable upon exercise of stock options outstanding as of June 30, 2018, at a weighted average exercise price of $6.07 per share;
- 212,297 shares of common stock issuable upon the vesting and settlement of restricted stock units outstanding as of June 30, 2018;
- 528,406 shares of common stock reserved for future grants under our 2013 Equity Incentive Plan as of June 30, 2018;

191,778 shares of common stock reserved for future issuance under our 2016 Employee Stock Purchase Plan as of June 30, 2018;

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60,000 shares of our common stock issuable upon exercise of warrants outstanding as of June 30, 2018, at a weighted average exercise price of $10.00 per share; and

132,722 shares of our common stock issued after June 30, 2018 pursuant to the Controlled Equity Offering℠ Sales Agreement dated as of June 2, 2017 by and between us and Cantor Fitzgerald & Co.

Unless otherwise indicated, all information in this prospectus assumes:

that the underwriters do not exercise their option to purchase up to 787,500 additional shares of our common stock; and

no exercise of the outstanding options or warrants, or settlement of outstanding restricted stock units, described above.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described under Risk Factors in our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, and all of the other information contained in this prospectus supplement and the accompanying prospectus, and incorporated by reference into this prospectus supplement and the accompanying prospectus, including our financial statements and related notes, before investing in our common stock. If any of the possible events described below or in those sections actually occur, our business, business prospects, cash flow, results of operations or financial condition could be harmed, the trading price of our common stock could decline, and you might lose all or part of your investment in our common stock. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our operations and results.

Risks Related to This Offering and Our Common Stock

The trading price of the shares of our common stock has been and is likely to continue to be highly volatile, and purchasers of our common stock could incur substantial losses.

Our stock price has been and will likely continue to be volatile for the foreseeable future. The stock market in general and the market for biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common stock at or above the price they paid. The market price for our common stock may be influenced by many factors, including:

- our ability to enroll patients in our clinical trials;
- results of the clinical trials, and the results of trials of our competitors or those of other companies in our market sector;
- regulatory developments in the United States and foreign countries;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems, especially in light of current reforms to the United States healthcare system;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- market conditions in the pharmaceutical and biotechnology sectors and issuance of securities analysts reports or recommendations;
- sales of our stock by insiders and 5% stockholders;

trading volume of our common stock;

general economic, industry and market conditions other events or factors, many of which are beyond our control;

additions or departures of key personnel; and

intellectual property, product liability or other litigation against us.

In addition, in the past, stockholders have initiated class action lawsuits against biotechnology and pharmaceutical companies following periods of volatility in the market prices of these companies stock. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management s attention and resources, which could have a material adverse effect on our business, financial condition and results of operations.

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If you purchase shares of common stock in this offering, you will experience immediate and substantial dilution.

The offering price per share in this offering may exceed the net tangible book value per share of our common stock outstanding prior to this offering. Based on 5,250,000 shares of our common stock being sold at the public offering price of $13.75 per share, for aggregate gross proceeds of approximately $72.2 million, and after deducting underwriting discounts and commissions and estimated aggregate offering expenses payable by us, you will experience immediate dilution of $9.74 per share, representing the difference between our as adjusted net tangible book value per share as of June 30, 2018 after giving effect to this offering and the public offering price. In addition, we are not restricted from issuing additional securities in the future, including shares of common stock, securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or substantially similar securities. The issuance of these securities may cause further dilution to our stockholders. The exercise of outstanding stock options and the vesting of outstanding restricted stock units may also result in further dilution of your investment. See the section entitled Dilution on page S-13 below for a more detailed illustration of the dilution you may incur if you participate in this offering.

We may allocate our cash resources, including the proceeds from this offering, in ways that you and other stockholders may not approve.

Our management has broad discretion in the application of our cash, cash equivalents and marketable securities, including the proceeds from this offering. Because of the number and variability of factors that will determine our use of our cash resources, their ultimate use may vary substantially from their currently intended use. Our management might not apply our cash resources in ways that ultimately increase the value of your investment. We intend to use the net proceeds from this offering, together with our existing cash resources, for the continued development of reproxalap and our other product candidates, including a planned Phase 3 clinical program in dry eye disease, our Phase 3 clinical trial programs in noninfectious anterior uveitis, allergic conjunctivitis, and SLS, one or more planned Phase 1 clinical trials of systemically or intravitreally administered reproxalap or another product candidate, one or more planned Phase 2a clinical trials of reproxalap or another product candidate in SLS, or systemic inflammation, a planned Phase 2 clinical trial of ADX-1612 in patients with pleural malignant mesothelioma, and a planned Phase 2 clinical trial in post-transplant lymphoproliferative disorder, debt maintenance, working capital and other general corporate purposes. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest our cash resources in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders. If we do not invest or apply our cash resources, including the proceeds from this offering, in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

Because a small number of our existing stockholders own a majority of our voting stock, your ability to influence corporate matters will be limited.

As of June 30, 2018, our executive officers, directors and greater than 5% stockholders, in the aggregate, owned approximately 42.0% of our outstanding common stock. As a result, such persons, acting together, will have the ability to control our management and business affairs and substantially all matters submitted to our stockholders for approval, including the election and removal of directors and approval of any significant transaction. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our business, even if such a transaction would benefit other stockholders.

We do not intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividend on our common stock and do not currently intend to do so for the foreseeable future. We currently anticipate that we will retain future earnings for the development,

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operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, our loan and security agreement with Pacific Western Bank currently prohibits us from paying dividends on our equity securities, and any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. Any return to stockholders will therefore be limited to the appreciation of their stock. Therefore, the success of an investment in shares of our common stock will depend upon any future appreciation in their value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

A substantial number of shares of our common stock could be sold into the public market in the near future, which could depress our stock price.

Sales of substantial amounts of our common stock in the public market could reduce the prevailing market prices for our common stock. Substantially all of our outstanding common stock are eligible for sale as are common stock issuable under vested and exercisable stock options. If our existing stockholders sell a large number of shares of our common stock, or the public market perceives that existing stockholders might sell shares of common stock, the market price of our common stock could decline significantly. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

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USE OF PROCEEDS

We estimate that the net proceeds from the public sale of 5,250,000 shares of our common stock in this offering will be approximately $67.6 million, or approximately $77.8 million if the underwriters exercise in full their option to purchase additional shares of common stock, based on the public offering price of $13.75 per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

As of June 30, 2018, we had cash, cash equivalents and marketable securities of $41.7 million. We intend to use the net proceeds from this offering, together with such existing cash resources, for the continued development of reproxalap and our other product candidates, including a planned Phase 3 clinical program in dry eye disease, our Phase 3 clinical trial programs in noninfectious anterior uveitis, allergic conjunctivitis, and SLS, one or more planned Phase 1 clinical trials of systemically or intravitreally administered reproxalap or another product candidate, one or more planned Phase 2a clinical trials of reproxalap or another product candidate in SLS, or systemic inflammation, a planned Phase 2 clinical trial of ADX-1612 in patients with pleural malignant mesothelioma, and a planned Phase 2 clinical trial in post-transplant lymphoproliferative disorder, debt maintenance, working capital and other general corporate purposes. This expected use of net proceeds from this offering represents our intentions based upon our current plans and business conditions, which could change in the future as our plans and business conditions evolve. We may also use a portion of the net proceeds to acquire or invest in businesses, products or technologies that we believe are complementary to our own, although we are not currently planning or negotiating any such transactions. We have not yet determined the amount of net proceeds to be used specifically for any of the foregoing purposes. Accordingly, our management will have significant discretion and flexibility in applying the net proceeds from the sale of these securities. Pending any use, as described above, we intend to invest the net proceeds in high-quality, short-term, interest-bearing securities.

We believe, based on our current operating plan and expected expenditures, that our existing cash, cash equivalents and marketable securities, together with the proceeds from this offering, will be sufficient to meet our anticipated cash and capital expenditure requirements for at least the next 24 months. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect.

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PRICE RANGE OF OUR COMMON STOCK

Our common stock is traded on The Nasdaq Capital Market under the symbol ALDX. The following table summarizes the high and low sales prices for our common stock as reported by The Nasdaq Capital Market for the periods indicated:

	High	Low
2016		
First Quarter	$ 6.96	$ 3.39
Second Quarter	6.69	4.11
Third Quarter	8.19	5.30
Fourth Quarter	7.89	4.45
2017		
First Quarter	$ 5.90	$ 4.10
Second Quarter	5.65	3.80
Third Quarter	11.90	3.90
Fourth Quarter	8.30	5.55
2018		
First Quarter	$ 8.95	$ 6.25
Second Quarter	9.30	6.80
Third Quarter (through September 27, 2018)	16.70	6.75

The last reported sale price for our common stock on The Nasdaq Capital Market on September 27, 2018 was $14.35.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to compliance with certain covenants under our credit facilities, which restrict or limit our ability to declare or pay dividends, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. Our loan and security agreement with Pacific Western Bank currently prohibits us from paying dividends on our equity securities, and any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock.

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