

## AVEO Pharmaceuticals, Inc.

### Reinstating Overweight Rating and \$16.50 Price Target

We were restricted on AVEO Pharmaceuticals, Inc. (AVEO) due to J.P. Morgan's involvement in the transaction announced on 16 February 2011. Now that the transaction is complete, we are reinstating our Overweight rating and December 2011 price target of \$16.50.

### Overweight

AVEO, AVEO US

Price: \$13.89

Price Target: \$16.50

#### Biotechnology

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#### Price Performance



#### AVEO Pharmaceuticals, Inc. (AVEO; AVEO US)

	2010A	2011E	2012E
EPS Reported (\$)			
Q1 (Mar)	(2.27)		
Q2 (Jun)	(0.50)		
Q3 (Sep)	(0.60)		
Q4 (Dec)	(0.77)		
FY	(2.92)	(3.41)	(3.56)

Source: Company data, Bloomberg, J.P. Morgan estimates.

#### Company Data

Price (\$)	13.89
Date Of Price	17 Feb 11
52-week Range (\$)	17.93 - 6.01
Mkt Cap (\$ mn)	88.06
Fiscal Year End	Dec
Shares O/S (mn)	6
Price Target (\$)	16.50
Price Target End Date	31 Dec 11

See page 3 for analyst certification and important disclosures.

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## AVEO Pharmaceuticals, Inc.: Summary of Financials

Income Statement - Annual	FY10A	FY11E	FY12E	FY13E	Income Statement - Quarterly	1Q11E	2Q11E	3Q11E	4Q11E
Revenues	36	38	70	138	Revenues	-	-	-	-
Cost of products sold	0	0	8	30	Cost of products sold	-	-	-	-
Gross profit	45	71	118	142	Gross profit	-	-	-	-
SG&A	14	35	55	60	SG&A	-	-	-	-
R&D	91	120	145	150	R&D	-	-	-	-
Operating Income	(69)	(118)	(138)	(102)	Operating income	-	-	-	-
Note: EBITDA	(69)	(118)	(138)	(102)	Note: EBITDA	-	-	-	-
Net interest income / (expense)	(3)	(2)	(2)	(1)	Net interest income / (expense)	-	-	-	-
Other income / (expense)	0	0	0	0	Other income / (expense)	-	-	-	-
Pretax income	(72)	(120)	(139)	(103)	Pretax income	-	-	-	-
Income taxes	0	0	0	0	Income taxes	-	-	-	-
Net income - GAAP	-	-	-	-	Net income - GAAP	-	-	-	-
Net income - recurring	(72)	(120)	(139)	(103)	Net income - recurring	-	-	-	-
Diluted shares outstanding	25	35	39	41	Diluted shares outstanding	-	-	-	-
EPS - excluding non-recurring	(2.92)	(3.41)	(3.56)	(2.53)	EPS - excluding non-recurring	-	-	-	-
EPS - recurring	(2.92)	(3.41)	(3.56)	(2.53)	EPS - recurring	-	-	-	-

Balance Sheet and Cash Flow Data	FY10A	FY11E	FY12E	FY13E	Ratio Analysis	FY10A	FY11E	FY12E	FY13E
Cash and cash equivalents	-	-	-	-	Sales growth	-	-	-	131.1%
Accounts receivable	0	0	0	0	EBIT growth	68.6%	69.5%	17.1%	(26.0%)
Inventories	-	-	-	-	EPS growth	43.5%	16.8%	4.5%	(28.8%)
Other current assets	2	2	2	3	Gross margin	100.0%	100.0%	88.8%	78.4%
Current assets	68	28	(5)	(94)	EBIT margin	(194.1%)	(313.3%)	(195.8%)	(73.7%)
PP&E	3	1	(0)	(2)	EBITDA margin	(194.1%)	(313.3%)	(195.8%)	(73.7%)
Total assets	73	31	(3)	(94)	Tax rate	0.0%	0.0%	0.0%	0.0%
Total debt	12	12	12	12	Net margin	(202.0%)	(318.8%)	(198.0%)	(74.5%)
Total liabilities	64	64	64	64	Debt / EBITDA	-	-	-	-
Shareholders' equity	23	84	202	236	Debt / Capital (book)	55.9%	(61.9%)	(22.7%)	(8.5%)
Net income (including charges)	(72)	(120)	(139)	(103)	Return on assets (ROA)	(98.6%)	(380.9%)	5011.3%	109.8%
D&A	1	2	2	2	Return on equity (ROE)	-	-	-	-
Change in working capital	(0)	(0)	(0)	(0)	Return on invested capital (ROIC)	-	-	-	-
Other	-	-	-	-	Enterprise value / sales	2.0	1.9	1.0	0.5
Cash flow from operations	(66)	(110)	(126)	(89)	Enterprise value / EBITDA	-	-	-	-
Capex	0	0	0	0	Free cash flow yield	(111.7%)	(186.1%)	(212.3%)	(150.9%)
Free cash flow	(66)	(110)	(126)	(89)					
Cash flow from investing activities	0	0	0	0					
Cash flow from financing activities	81	70	93	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

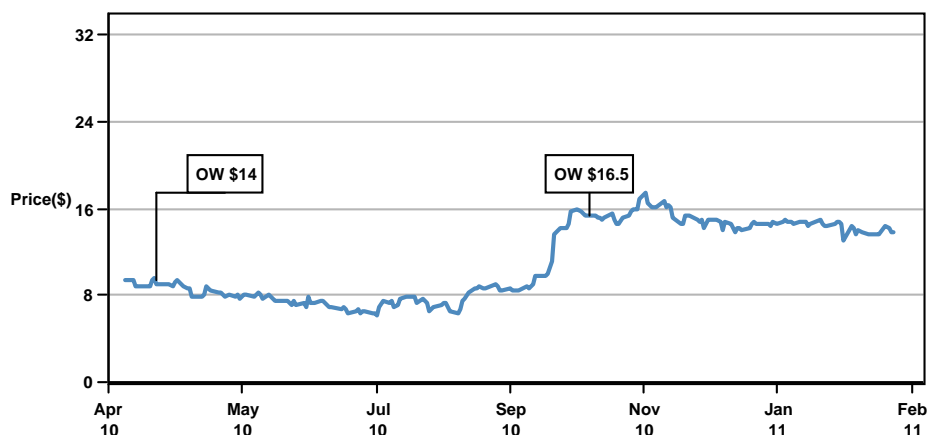
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#### AVEO Pharmaceuticals, Inc. (AVEO) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
21-Apr-10	OW	9.39	14.00
15-Oct-10	OW	15.35	16.50

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
Initiated coverage Apr 21, 2010. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
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