

AVEO Pharmaceuticals, Inc.**OSI Option Exercise: Validates Platform and Provides Non-Dilutive Funding - ALERT**

AVEO announced today that OSI Pharma has exercised its option to internalize parts of AVEO's proprietary technology platform, including components of the Human Response Platform (HRP). The option exercise is encouraging for AVEO, as it provides 1) an upfront payment of \$12.5M with an additional \$12.5M more in milestones upon successful transfer of applicable technology, 2) further validation of the value of the technology platform with downstream economics for new targets/compounds, and 3) a longer-term partner in OSI (Astellas) that is committed to the oncology space. We view today's news as a positive and continue to believe the risk / reward profile is attractive at current levels ahead of TIVO-1 data in mid 2011. Reiterate Overweight.

- **Deal terms look favorable, and OSI is a good partner.** Under the collaboration, AVEO will receive a total of \$25M in license expansion fees; of which \$12.5M has been paid upon option exercise and \$12.5M will be paid in mid-2011 upon successful transfer of the applicable technology to OSI. Recall that AVEO had a drug discovery and translational research collaboration with OSI in July 2009 to identify/characterize new EMT agents for cancer.
- **Vote of confidence for AVEO's technology platform.** In our view, the partnership serves as additional validation for the clinical development programs of AVEO, and in particular the Human Response Platform. AVEO's proprietary technology platform has produced two key candidates: AV-299, which is entering phase 2 studies in non-small cell lung cancer (NSCLC), and AV-203, which is partnered with Biogen and is in preclinical for solid tumors.
- **Maintaining Overweight rating.** On balance, we see the news as a positive for AVEO shares. We continue to believe TIVO-1 has a high probability for success in phase 3, and we view the breast and colon indications as attractive call options that are not assumed in our model.

Overweight**AVEO, AVEO US**

Price: \$14.78

30 November 2010**US Biotechnology****Geoffrey Meacham, Ph.D.**^{AC}

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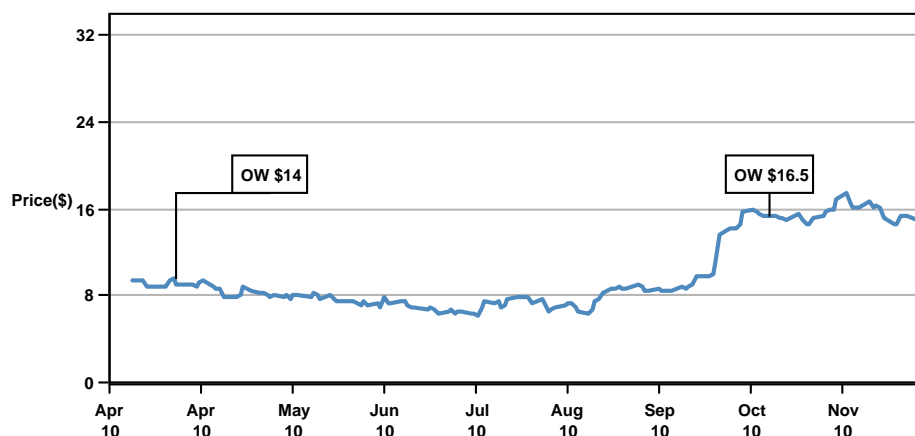
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AVEO Pharmaceuticals, Inc. (AVEO) Price Chart



| Date | Rating | Share Price (\$) | Price Target (\$) |
|-----------|--------|------------------|-------------------|
| 21-Apr-10 | OW | 9.63 | 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.
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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|---|-----------------------------|---------------------------|-------------------------------|
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