

Morgan Stanley & Co. LLC

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Stock Rating  
**Overweight**

Industry View  
**In-Line**

April 8, 2013

## Tesaro Inc. Management Meeting Takeaways

**We hosted a meeting with the Tesaro management team and our major takeaways included:**

**PARP inhibitor class to come of age at ASCO 2013** with **1)** full Phase I/II data for Tesaro's niraparib, **2)** Phase I/II data for BioMarin's BMN-673, **3)** Phase II data for Astra's olaparib in BRCA mutant ovarian cancer (has implications for Tesaro's Phase III design) and **4)** Phase I/II monotherapy data for Clovis's rucaparib. We do not expect changes to our view of niraparib as an active, well-tolerated drug with a leading US development position, but ASCO could establish a more definitive clinical activity/tolerability hierarchy for the PARP class.

**Next indications for the PARP inhibitor program.** Tesaro has not disclosed further development plans for niraparib, but our sense is that BRCA mutant breast cancer (metastatic post-anthracycline/cyclophosphamide) and small cell lung cancer (esp. first line post-platinum maintenance) seem likely. More work needs to be done in Ewing sarcoma as Astra's olaparib alone failed to show activity in the 2<sup>nd</sup> line at AACR 2013.

**ALK inhibitor TSR-011 making progress.** TSR-011 is Tesaro's least valued asset. However, with initial response data in ALK+ lung cancer expected by ESMO (late 3Q13), the program is likely to receive greater focus. The company is at the 5<sup>th</sup> dose level (480mg), which is above the IC90 for ALK, without a DLT (dose limiting toxicity – though in single dose cohorts) implying a good early safety profile. Multiple competitors are well ahead in development, but evidence of a strong efficacy and safety profile for TSR-011 later this year could be an overlooked catalyst for the stock.

**2H13 rolapitant Phase III data on track** and our base case outcome is a prolife similar to Merck's EMEND.

**2Q Phase III data possible for competitor Helsinn-Eisai's** single-pill, fixed-dose combination of Aloxi and the NK1 inhibitor netupitant. We expect positive data.

### Key Ratios and Statistics

Reuters: TSRO.O Bloomberg: TSRO US

Biotechnology / United States of America

Shr price, close (Apr 5, 2013)	\$22.32
Mkt cap, curr (mm)	\$597
52-Week Range	\$25.13-11.05

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April 8, 2013

Tesaro Inc.



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(as of March 31, 2013)

April 8, 2013

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>1031</b>	<b>36%</b>	<b>402</b>	<b>39%</b>	<b>39%</b>
<b>Equal-weight/Hold</b>	<b>1250</b>	<b>44%</b>	<b>480</b>	<b>47%</b>	<b>38%</b>
<b>Not-Rated/Hold</b>	<b>105</b>	<b>4%</b>	<b>27</b>	<b>3%</b>	<b>26%</b>
<b>Underweight/Sell</b>	<b>467</b>	<b>16%</b>	<b>113</b>	<b>11%</b>	<b>24%</b>
<b>Total</b>	<b>2,853</b>		<b>1022</b>		

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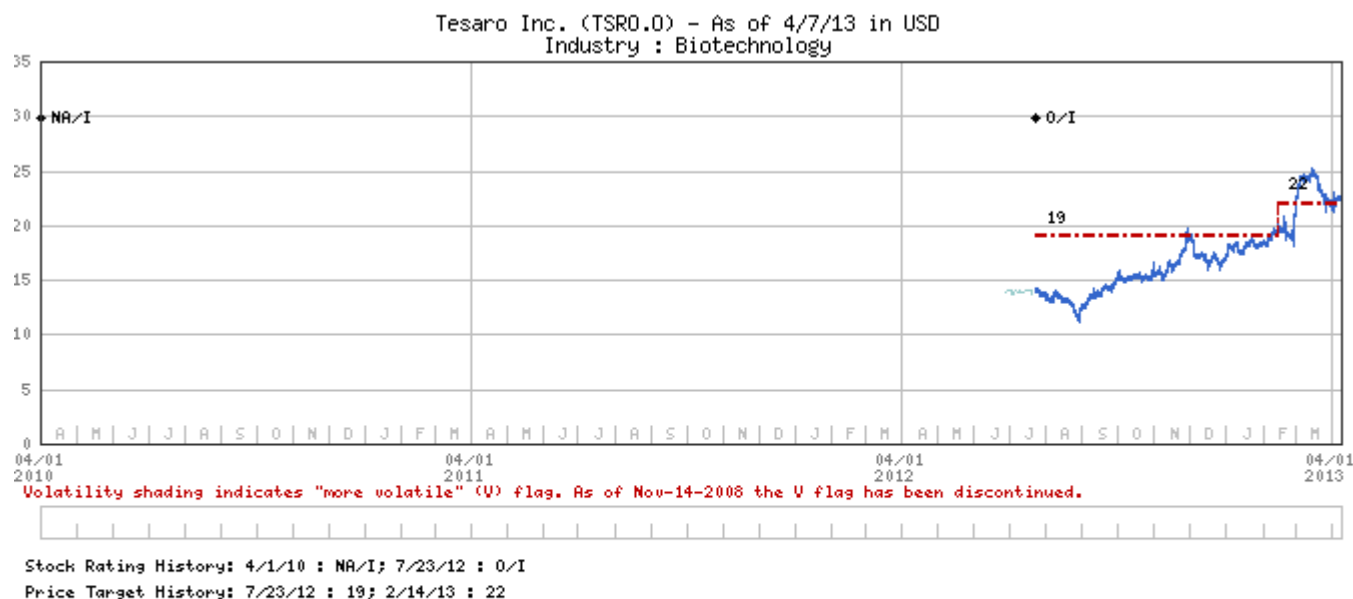
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## Stock Price, Price Target and Rating History (See Rating Definitions)

April 8, 2013

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Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)  
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —  
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Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)  
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April 8, 2013

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## Industry Coverage:Biotechnology

Company (Ticker)	Rating (as of)	Price* (04/05/2013)
<b>David Friedman, M.D.</b>		
AMAG Pharmaceuticals, Inc. (AMAG.O)	E (11/21/2011)	\$23.27
Alexion Pharmaceuticals (ALXN.O)	O (09/07/2010)	\$99.2
Auxilium Pharmaceuticals (AUXL.O)	U (08/21/2012)	\$16.69
Cubist Pharmaceuticals Inc. (CBST.O)	O (10/03/2012)	\$45.74
Idenix Pharmaceuticals, Inc. (IDIX.O)	E (03/18/2011)	\$3.55
Incyte Corporation (INCY.O)	U (01/23/2013)	\$21.37
InterMune (ITMN.O)	E (09/07/2010)	\$8.92
Ironwood Pharmaceuticals, Inc. (IRWD.O)	O (03/18/2011)	\$17.92
Lexicon Pharmaceuticals, Inc. (LXRX.O)	E (09/07/2010)	\$2.12
NPS Pharmaceuticals (NPSP.O)	O (10/03/2012)	\$10.92
Synageva Biopharma Corp (GEVA.O)	O (04/20/2012)	\$50.04
Theravance Inc (THRX.O)	U (01/31/2012)	\$23.06
Vertex Pharmaceuticals (VRTX.O)	E (05/08/2012)	\$53.23
XenoPort Inc (XNPT.O)	E (08/26/2011)	\$7.01
<b>Sara Slifka</b>		
Neurocrine Biosciences Inc (NBIX.O)	O (10/03/2012)	\$11.95
Optimer Pharmaceuticals (OPTR.O)	U (10/03/2012)	\$14.55
<b>Marshall Urist, M.D., Ph.D.</b>		
Amgen Inc. (AMGN.O)	E (02/09/2012)	\$104.04
Aveo Pharmaceuticals (AVEO.O)	E (02/09/2012)	\$7.33
Biogen Idec Inc. (BIIB.O)	O (02/09/2012)	\$193.31
Celgene Corp (CELG.O)	O (02/09/2012)	\$116.43
Elan Corporation PLC (ELN.N)	++	\$11.51
Gilead Sciences Inc. (GILD.O)	O (02/09/2012)	\$47.37
Immunogen Inc. (IMGN.O)	E (11/13/2012)	\$15.98
Infinity Pharmaceuticals Inc (INFI.O)	O (02/19/2013)	\$46.56
Onyx Pharmaceuticals Inc. (ONXX.O)	E (06/21/2012)	\$89.64
Pharmacyclics Inc. (PCYC.O)	E (03/19/2013)	\$75.55
Tesaro Inc. (TSRO.O)	O (07/23/2012)	\$22.32

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