

Merrimack Pharmaceuticals

Key Takeaways from Our CEO Call - ALERT

As part of our 2013 J.P. Morgan Biotech CEO/CFO Conference Call Series, we hosted a call with Merrimack CEO Bob Mulroy. The focus of the call was largely on the late stage pipeline. Indeed, 2013 is expected to be an eventful year with phase 3 data for MM-398 in second line pancreatic cancer and data from phase 2 trials for MM-121 in breast, ovarian and lung cancer. As such, given continued pipeline progress and multiple data readouts in 2013, we reiterate our Overweight rating on MACK shares. **For those that missed it, we will have a transcript available early next week, and a replay is available at 800-925-0562 (US); +1-203-369-3629 (OUS); Passcode 22213.**

- **MM-398 phase 3 data on track for 2H13.** Data from the phase 3 NAPOLI-1 trial of MM-398 in second line pancreatic cancer is expected in 2H13. Consistent with prior commentary, Merrimack expects an OS benefit of 3mo and 1.5mo for MM-398 + 5FU/LV and MM-398 monotherapy, respectively, relative to a 2-3mo benefit for 5FU/LV alone. Of note, these expectations were characterized as "on the low end," suggesting the benefit could be higher.
- **Thoughts on MM-398 vs. Abraxane.** Merrimack noted that MM-398 (nanotherapeutic encapsulation) and Celgene's Abraxane (albumin) utilize different technologies to increase tumor exposure. For Abraxane, tumor exposure is increased 20-30% for the first 3 hours post dosing. In contrast, MM-398 tumor exposure increases initially and is maintained for a longer period. Indeed, Merrimack noted a 500x increase in tumor exposure (area under the curve) for MM-398 relative to Abraxane which could result in improved efficacy.
- **MM-121 phase 2 data in NSCLC expected in 1H13.** Data in 2nd-line mEGFR NSCLC in combination with erlotinib is expected in 1H13. This is an uncontrolled study design to better understand the impact of biomarkers. Merrimack noted this is more of a "research study" and probably the "least clinically significant" of the ongoing phase 2 MM-121 studies.
- **MM-121 phase 2 data in ovarian cancer expected in 2H13.** Data in 2nd-line ovarian cancer in combination with paclitaxel is expected in 2H13. Merrimack indicated they are most "interested" in the results of this study. Of note, only 30-40% of ovarian tumor cells use ErbB3 for survival, lower than the other tumors types being tested. As such, this study will be the most challenging to show a benefit and therefore success would be a strong validation of this approach. Merrimack would consider a doubling of PFS as success.
- **Additional phase 2 data sets for MM-121 expected in 2H13.** In breast cancer, data from two phase 2 studies are expected in 2H13, including 2nd-line ER/PR+ in combination with exemestane and neoadjuvant ER/PR+ in combination with paclitaxel. Data from a phase 2 trial in wt/EGFR 2nd-line NSCLC in combination with erlotinib is also expected in 2H13.
- **Reiterate Overweight rating.**

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Overweight

MACK, MACK US

Price: \$6.19

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US Biotechnology

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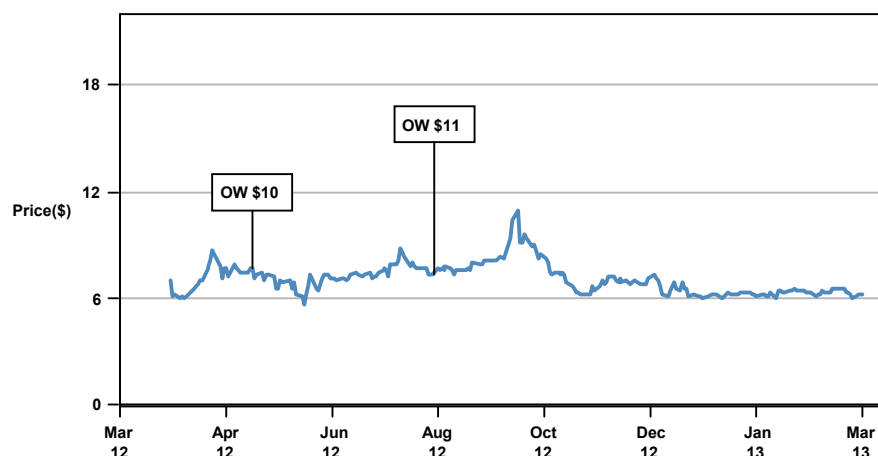
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Merrimack Pharmaceuticals (MACK, MACK US) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
08-May-12	OW	7.62	10.00
10-Aug-12	OW	7.37	11.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage May 08, 2012.

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