

Tetralogic Pharmaceuticals

TLOG - BUY - Encouraging Birinapant Results in Advanced Ovarian Cancer; Continuing with Trial Expansion Phase

BRET HOLLEY, PH.D., ANALYST

bret.holley@guggenheimpartners.com
212 293 2820

FLASH NOTE

SECTOR: Biotechnology

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Conclusion: We view today's birinapant news as encouraging, as we believe the Phase Ib results of birinapant+conatumumab suggest that the combination is active in advanced ovarian cancer (OC). Accordingly, we believe the sharp downside in TLOG is an overreaction (the stock is down 22.87% intraday vs. the S&P500 up 0.76%), and we view the stock as considerably undervalued at current levels, based on birinapant's potential in HBV alone, with additional upside potential in oncology.

On 12/16, TLOG (BUY, Intraday: \$4.47) reported that the birinapant+conatumumab combination in a Phase Ib trial in advanced OC (up to three treatment failures) generated positive activity, including one partial response, which we view positively given the unlikely occurrence of a confirmed response with single-agent conatumumab. Additionally, two patients had clinically meaningful stable disease, with one currently on treatment up to four months duration and the second up to two months duration. Based on this level of action for the combination, investigators and TLOG have decided to continue enrollment in the Phase Ib trial up to 30 patients, and, based on discussions with TLOG, we understand that Amgen (AMGN, NEUTRAL, \$159.60) also supports this decision.

Although specifics were not reported, a certain level of toxicity was observed with the 4 of 4 week dosing schedule, and based on this, it was decided that reduced dosing and a 3 of 4 week dosing schedule would be used going forward in the trial. Overall, given the unmet medical need in refractory OC, we believe a certain number of side effects are acceptable and will not be a deal breaker.

There are a number of upcoming catalysts for TLOG, including additional Phase Ib data in advanced OC, initial Phase II birinapant+azacitidine in MDS results in mid-'15, and very notably, birinapant results in HBV likely in 2H15.

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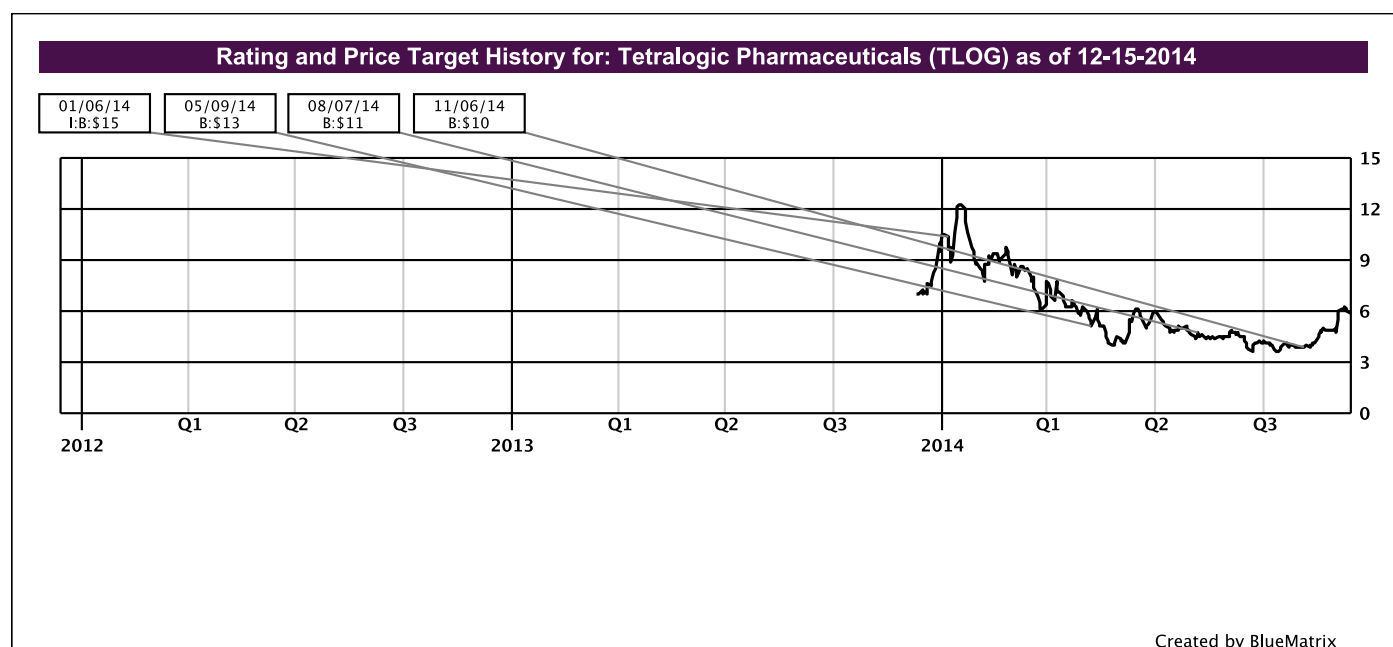
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Contact Information

NEW YORK SALES & TRADING DESK

212 292 4700

EQUITY TRADING DESK

212 292 4701

MEDIA INQUIRIES

310 367 6567

EMAIL

general@guggenheimcm.com

Locations

NEW YORK330 Madison Avenue
New York, NY 10017**WASHINGTON, DC**1055 Thomas Jefferson Street, NW
Suite 450
Washington, DC 20007**BOSTON**500 Boylston Street, 13th Floor
Boston, MA 02116**LOS ANGELES**601 South Figueroa Street
Suite 4005
Los Angeles, CA 90017**DALLAS**1717 McKinney Avenue
Suite 870
Dallas, TX 75202**SAN FRANCISCO**50 California Street
Suite 1515
San Francisco, CA 94111**NASHVILLE**104 Woodmont Blvd
Suite 203
Nashville, TN 37205**RICHMOND**919 East Main Street
Suite 1605
Richmond, VA 23219

Guggenheim Equity Research

ENERGY: OIL SERVICES & EQUIPMENT**Darren Gacicia, Analyst**

darren.gacicia@guggenheimpartners.com

212 293 3054

Michael LaMotte, Analyst

michael.lamotte@guggenheimpartners.com

972 638 5502

FINANCIAL SERVICES: BUSINESS**DEVELOPMENT COMPANIES,****COMMUNITY AND REGIONAL BANKS****Taylor Brodarick, Analyst**

taylor.brodarick@guggenheimpartners.com

615 208 1222

FINANCIAL SERVICES: COMMUNITY AND**REGIONAL BANKS, PAYMENTS & CREDIT****SERVICES****David Darst, Analyst**

david.darst@guggenheimpartners.com

615 208 1224

Ryan Strain, Associate

ryan.strain@guggenheimpartners.com

615 208 1226

FINANCIAL SERVICES: SUPER REGIONAL**AND UNIVERSAL BANKS & BROKERS,****PAYMENTS & CREDIT SERVICES****Eric Wasserstrom, Analyst**

eric.wasserstrom@guggenheimpartners.com

212 823 6571

Jeff Cantwell, Associate

jeffrey.cantwell@guggenheimpartners.com

212 823 6543

HEALTHCARE: BIOPHARMA**Tony Butler, Analyst**

tony.butler@guggenheimpartners.com

212 823 6540

HEALTHCARE: BIOTECH**Bret Holley, Analyst**

bret.holley@guggenheimpartners.com

212 293 2820

HEALTHCARE: PHARMACEUTICALS**Louise Chen, Analyst**

louise.chen@guggenheimpartners.com

212 381 4195

Swati Kumar, Analyst

swati.kumar@guggenheimpartners.com

212 918 8754

Brandon Folkes, Associate

brandon.folkes@guggenheimpartners.com

212 518 9976

RETAIL & CONSUMER**John Heinbockel, Analyst**

john.heinbockel@guggenheimpartners.com

212 381 4135

Steven Forbes, Associate

steven.forbes@guggenheimpartners.com

212 381 4188

TMT: MEDIA & ENTERTAINMENT,**CABLE & SATELLITE TV****Michael Morris, Analyst**

michael.morris@guggenheimpartners.com

804 253 8025

Curry Baker, Associate

curry.baker@guggenheimpartners.com

804 253 8029