

April 8, 2014

HEALTHCARE/BIO TECHNOLOGY

Stock Rating:

OUTPERFORM

12-18 mo. Price Target \$19.00
TLOG - NASDAQ \$6.58

3-5 Yr. EPS Gr. Rate NA
52-Wk Range \$14.75-\$5.89
Shares Outstanding 22.2M
Float 5.2M
Market Capitalization \$146.6M
Avg. Daily Trading Volume 162,172
Dividend/Div Yield NA/NM
Book Value \$2.52
Fiscal Year Ends Dec
2014E ROE NA
LT Debt \$0.0M
Preferred \$0.0M
Common Equity NA
Convertible Available Yes
Trading volume is as of 12/12/13

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2012A	--	--	--	--	(1.52)	NM
2013E	--	--	--	(0.30)A	(0.83)	NM
2014E	(0.25)	(0.27)	(0.26)	(0.25)	(1.03)	NM
Prior (E)	--	(0.25)	(0.24)	(0.22)	(0.95)	NM
2015E	--	--	--	--	(1.26)	NM
Prior (E)	--	--	--	--	(1.15)	NM

TetraLogic Pharmaceuticals Corporation

Acquisition Diversifies Pipeline, Focus To Remain On Birinapant/TRAIL

SUMMARY

Yesterday, TetraLogic announced the acquisition of privately held Shape Pharmaceuticals for \$13M and unspecified milestones and royalties on future sales. The acquisition adds a topic HDAC inhibitor, SHAPE, to the company's pipeline. The drug has shown excellent safety and initial signs of efficacy in the Phase I studies, and TetraLogic plans to start a Phase 2 study of the compound in 4Q14. We believe that investors will remain focused on birinapant, the company's SMAC mimetic compound, which is anticipated to report results from the Phase 1/2 ovarian cancer study in 3Q14. We believe that if this data is positive, birinapant may be of high interest to Amgen.

KEY POINTS

- SHAPE is a topic HDAC inhibitor specifically designed to target lymphoma cells in the skin, but avoid systemic exposure of the drug. Phase I data shows very little systemic delivery of drug, with the primary drug deposition in the skin.
- The Phase I study included 15 CTCL (Cutaneous T-Cell Lymphoma) patients in each of the three dosing arms and 1 placebo patient per dosing arm, and showed partial responses in four treated subjects. Placebo patients showed no significant improvement.
- The company plans to commence a Phase 2 trial in first-line CTCL in 4Q14. The study targets enrollment of 60 patients and will take approximately one year to complete. If successful, a Phase III study will be commenced, and is currently estimated to take two years to complete.
- A combination study of birinapant + Amgen's TRAIL antibody is ongoing with data anticipated in 3Q14. We believe that, if the data are positive, birinapant may become a very valuable drug for Amgen, given that company's high level of interest and investment in TRAIL.
- Due the Shape acquisition and the anticipated development costs for SHAPE, we've increased our estimates for R&D expenses in 2014 and 2015 by \$2M and \$3M, respectively, the reason for the change in EPS estimates for the current and the following year.

Stock Price Performance



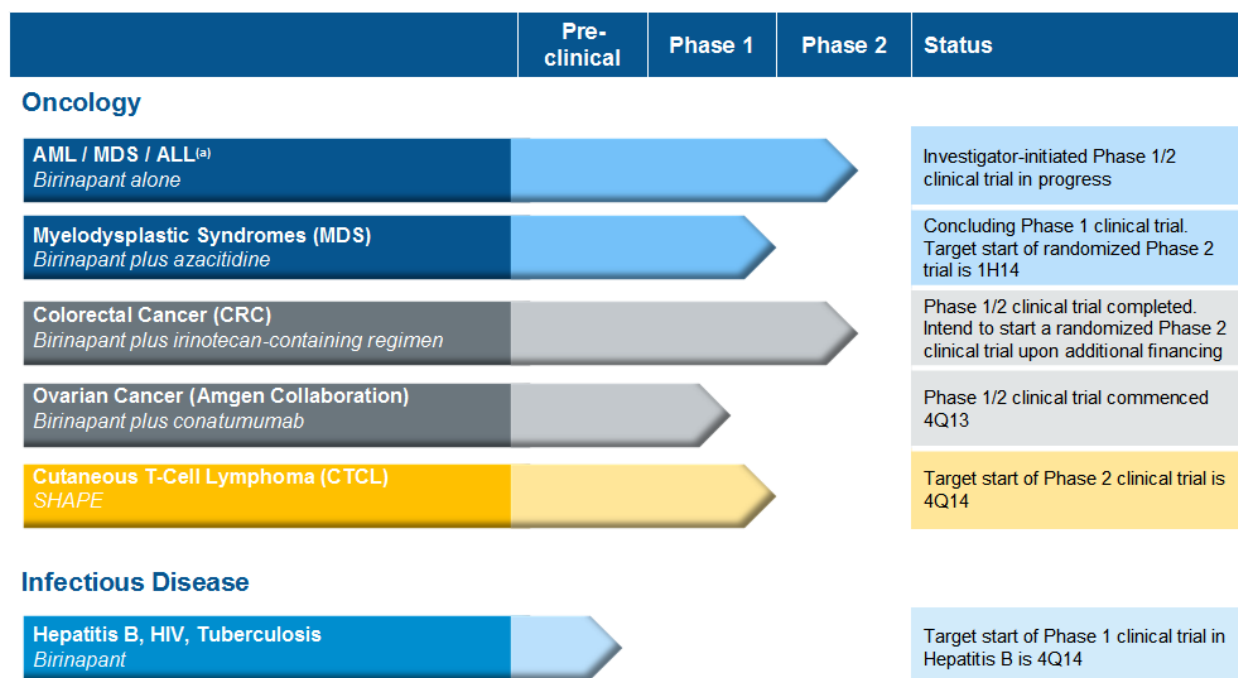
Company Description

TetraLogic is a clinical-stage biopharmaceutical company focused on the discovery and development of oncology drugs, including SMAC-mimetics and topical HDACs. The lead candidate, Birinapant is an anti-cancer SMAC-mimetic designed to enable TNF-activated apoptosis.

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Product Pipeline

Exhibit 1: Products / Product Pipeline



Source: TetraLogic Pharmaceuticals; Oppenheimer & Co. Inc.

Key Milestones

Exhibit 2: Key Upcoming Milestones

Date	Stage	Milestone
Birinapant in Blood Cancers		
2Q14	Phase I	Data readout from birinapant+azacitidine MDS study
2Q14	Phase II	Commence randomized birinapant+azacitidine 1st-line higher risk MDS study
2Q15	Phase II	Data readout from randomized birinapant+azacitidine MDS study
Birinapant in Solid Tumors		
3Q14	Phase I/II	Data readout from birinapant+conatumumab ovarian cancer study
2014	Phase II	Start birinapant+irinotecan randomized colorectal study (pending funding)
Birinapant in Viral Infections		
4Q14	Phase I	Commence hepatitis B study
3Q15	Phase I	Data readout from hepatitis B study
SHAPE in CTCL		
4Q14	Phase II	Commence a 60-patient Phase II study in CTCL
4Q15	Phase I	Data readout from Phase II Study

Source: TetraLogic Pharmaceuticals; Oppenheimer & Co. Inc.

Financial Statements

Exhibit 3: TetraLogic Pharmaceuticals Historical & Projected Income Statement

FY Ending Dec 31st in \$000s, except per share amount	FY12A	Mar-13 1QA	Jun-13 2QA	Sep-13 3QA	Dec-13 4QA	FY13E	Mar-14 1QE	Jun-14 2QE	Sep-14 3QE	Dec-14 4QE	FY14E	FY15E
Revenue:												
Collaboration revenue	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses:												
General and administration	4,076		1,974	2,174	2,353	6,500	2,500	2,500	2,600	2,500	10,100	12,625
Research and development	12,096		4,291	2,148	2,561	9,000	3,000	3,500	4,000	4,500	15,000	22,500
Total Operating Expenses	16,172	-	6,264	4,322	4,914	15,500	5,500	6,000	6,600	7,000	25,100	35,125
Operating income (expense)	(16,172)	-	(6,264)	(4,322)	(4,914)	(15,500)	(5,500)	(6,000)	(6,600)	(7,000)	(25,100)	(35,125)
Change in fair value of derivative liabilities	43		56	(1,391)	-	(1,335)	-	-	-	-	-	-
Interest and other income	3		0	0	0	0	-	-	-	-	-	-
Interest expense	(73)		(1,113)	(262)	(200)	(1,575)	-	-	-	-	-	-
Net loss and comprehensive loss	(16,199)	-	(7,321)	(5,976)	(5,113)	(18,410)	(5,500)	(6,000)	(6,600)	(7,000)	(25,100)	(35,125)
Cumulative preferred stock dividends	(3,453)		(1,713)	(853)	-	(2,566)	-	-	-	-	-	-
Net loss attributable to common stockholders	(19,653)	-	(9,033)	(6,829)	(5,113)	(20,975)	(5,500)	(6,000)	(6,600)	(7,000)	(25,100)	(35,125)
Basic and diluted net loss per share	(\$1.52)				(\$0.30)	(\$0.83)	(\$0.25)	(\$0.27)	(\$0.26)	(\$0.25)	(\$1.03)	(\$1.26)
Weighted average common shares outstanding	10,629				16,821	22,189	22,264	22,414	24,989	27,564	24,308	27,939

Source: Company reports, Oppenheimer & Co. Inc.

Investment Thesis

TetraLogic Pharmaceuticals Corporation is a clinical-stage biopharmaceutical company focusing on the discovery and development of SMAC-mimetics for the treatment of cancers. The company's lead candidate, birinapant, is being developed for the treatment of myelodysplastic syndromes (MDS), colorectal cancer (CRC), ovarian cancer, and hepatitis B. The company recently added a novel topical HDAC drug to its pipeline via the acquisition of Shape Pharmaceuticals.

Price Target Calculation

Our \$19/share 12-18 month price target is based on the assumption TetraLogic will advance birinapant into Phase II testing for myelodysplastic syndromes (MDS) and colorectal cancer (CRC). We also assume several other ongoing birinapant studies, including a Phase I/II study in ovarian cancer and a Phase I study in hepatitis B. As such, we looked at the valuation of comparable companies that have differentiated assets in a similar stage of development. Based on the comparison to these companies and an anticipated fully-diluted share count of 31M shares at the end of 2014 (this includes a possible financing round and all outstanding options/warrants), and the average comparables valuation of \$579M, we arrive at a price target of \$19/share for TLOG.

Key Risks to Price Target

Key risks include clinical trial risk, regulatory risk, competitive risk, partnership risk, reimbursement risk, lack of performance/trading history and liquidity and small capitalization risk.

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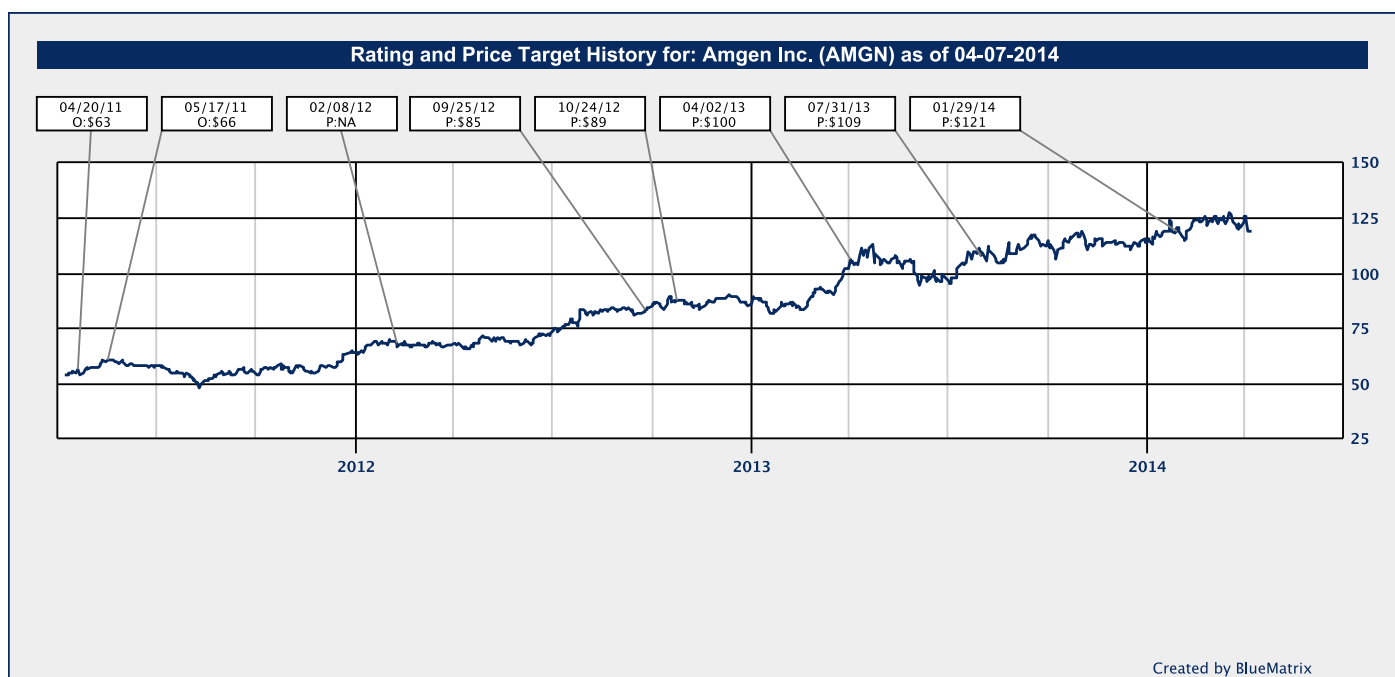
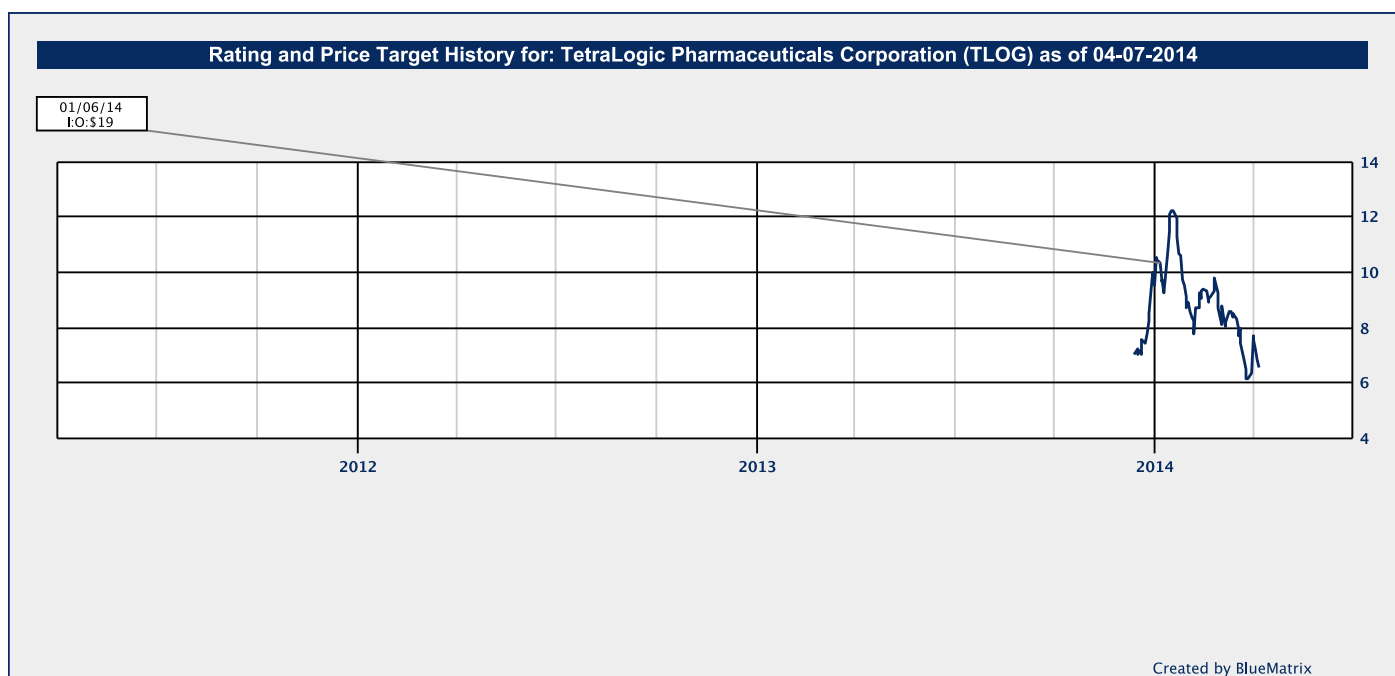
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Stock Prices as of April 8, 2014

Amgen Inc. (AMGN - NASDAQ, \$118.82, PERFORM)



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Distribution of Ratings/IB Services Firmwide				
Rating	Count	Percent	IB Serv/Past 12 Mos.	
			Count	Percent
OUTPERFORM [O]	294	48.43	138	46.94
PERFORM [P]	301	49.59	103	34.22
UNDERPERFORM [U]	12	1.98	4	33.33

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