

Ophthotech

Our Thoughts Post Analyst Day - ALERT

We attended the Ophthotech R&D Day today, which included an impressive panel of leading KOL retinal specialists, and we wanted to pass along a few key takeaways. Overall, we came away encouraged by (1) widespread acknowledgement of the unmet need still remaining in wet AMD (2) the role of fibrosis and PDGF signaling in the poor long-term outcomes with anti-VEGF monotherapy, (3) strong clinical rationale and physician interest in anti-PDGF therapies, and (4) acceptance of decoupled anti-VEGF and anti-PDGF therapies. Given the commercial opportunity in wet AMD, the robust phase 2b dataset for Fovista, and the optionality with Zimura in dry AMD / geographic atrophy (GA), we're reiterating Overweight rating on OPHT shares.

- **Unmet need in wAMD:** The panel highlighted that the near-term improvements in visual acuity achieved with anti-VEGF monotherapy are not sustained over the long term (3+ years), as demonstrated in a number of studies (SEVEN-UP, SECURE, etc). This shows, in our view, the need for a more durable clinical effect.
- **Role of fibrosis in poor long-term outcomes and strong rationale for anti-PDGF therapy:** The key focus of the event was on the scientific data (and growing appreciation of) the effects of anti-VEGF blockade, namely stimulation of PDGF, unabated neovascular development, and fibrosis – all implicated in the deterioration in visual acuity over time. Based on the above points, as well as the phase 2b Fovista dataset, the panel viewed the drug positively, ranging from a “game-changer” to a “long overdue addition” to the treatment paradigm.
- **Second injection viewed as non-factor:** Recall, the combination of Fovista/anti-VEGF therapy requires two injections. Though some have argued this represents a meaningful commercial challenge in treatment, the panelists disagreed, noting the flexibility of separate injections could be a net positive, allowing further tailoring of the treatment to the individual patient. We agree and note in many of our KOL discussions, injection frequency doesn't come up as a significant concern, especially given the patient is already prepped for therapy.
- **Ophthotech development strategy in wAMD:** Ophthotech delineated its development strategy, noting three goals: prevention of neovascular growth, fibrosis, and geographic atrophy. To this end, the company noted its recently broadened Fovista development is designed to address these goals. In our model, we don't account for any indication beyond wet AMD.
- **Zimura for GA:** Ophthotech intends to initiate a phase 2/3 of Zimura in GA in 4Q14/1Q15 (no change), and anticipates communicating incremental details on the drug and study design by the American Academy of Ophthalmology meeting (AAO; Oct 18-21, Chicago). We view this program as a significant call option, but in a market that could be as robust, if not larger than wet AMD over time.
- **Trial timelines:** Ophthotech provided the first granular details on timing for its Fovista development efforts with most studies reading out 2015/early-2016. Zimura, trials in dry AMD and in wet AMD are also expected in 2016.

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Overweight

OPHT, OPHT US

Price: \$38.25

06 March 2014

Biotechnology

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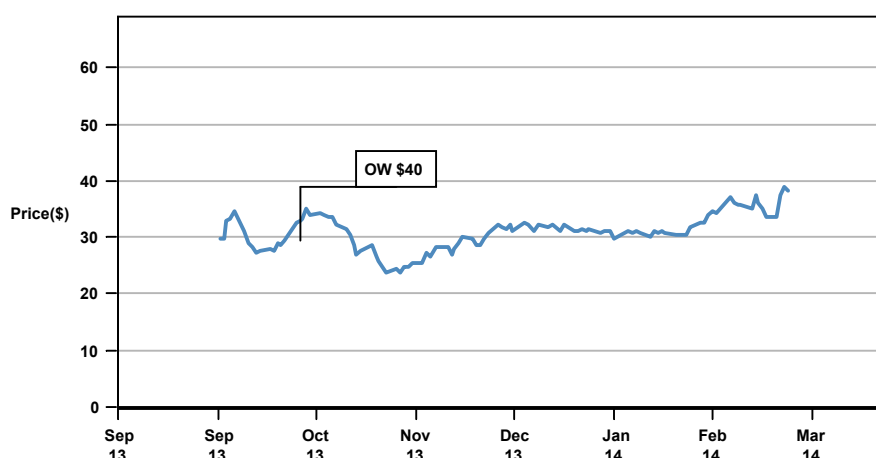
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Ophthotech (OPHT, OPHT US) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
21-Oct-13	OW	29.25	40.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Oct 21, 2013.

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