

Ophthotech

Quick Thoughts on Novartis OUS Commercialization Agreement - ALERT

After the close, Ophthotech announced it out-licensed the OUS Fovista rights to Novartis, for an upfront fee of \$200M plus downstream milestones and royalties. In our view, the deal validates Fovista while importantly allowing the company to retain and fund the drug's development and US commercialization. Further, from a strategic standpoint, the deal makes sense given the resources that would have been required to build out the OUS commercial infrastructure. The deal also allows Novartis to leverage its entrenched OUS ophthalmology franchise (given its existing Alcon assets and infrastructure, OUS rights to Lucentis, and Thrombogenics' Jetrea). Given the commercial opportunity in wet AMD and the company's strengthened position with today's deal, we are reiterating our Overweight rating on OPHT shares.

- **Deal terms.** As per the deal terms, Ophthotech could potentially receive >\$1B in milestone payments alone, not including future royalties. Near-term milestones of \$330M include an upfront payment of \$200M and \$130M related to enrollment in the phase 3. Of note, future OUS approval milestones total up to \$300M with OUS sales related milestones totaling \$400M. Additionally, Ophthotech is entitled to royalties (not disclosed) on OUS sales of Fovista.
- **Conference call TONIGHT at 5pm.** Dial-in: 1-888-427-9411 (US) or 719-325-2354 (OUS), passcode: 9388136.
- **Reiterate Overweight.**

Overweight

OPHT, OPHT US

Price: \$31.08

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Biotechnology

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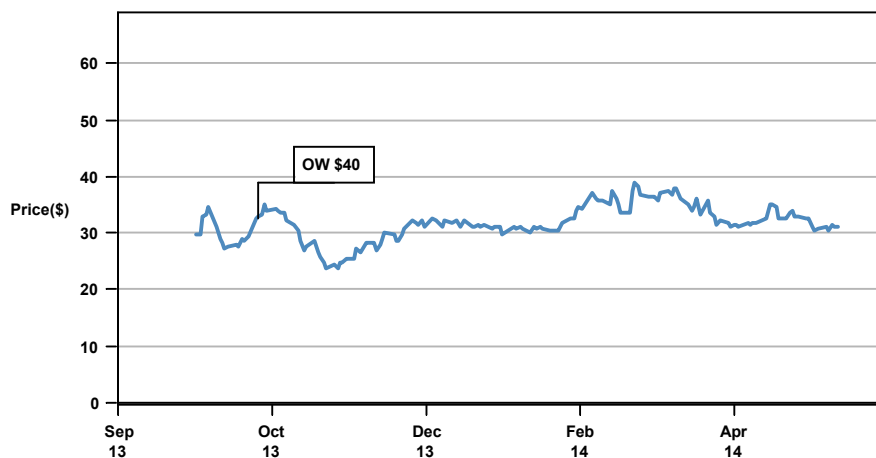
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Ophthotech (OPHT, OPHT US) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
21-Oct-13	OW	32.67	40.00

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

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

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