June 1, 2014

HEALTHCARE/BIOTECHNOLOGY

TetraLogic Pharmaceuticals Corporation

ASCO SHAPE Data Encouraging; Maintain Outperform

Stock Rating:

OUTPERFORM

12-18 mo. Price Target	$9.00
TLOG - NASDAQ	$4.48
3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	$14.75-$3.84
Shares Outstanding	22.3M
Float	5.8M
Market Capitalization	$99.8M
Avg. Daily Trading Volume	117,981
Dividend/Div Yield	NA/NM
Book Value	$2.26
Fiscal Year Ends	Dec
2014E ROE	NA
LT Debt	$0.0M
Preferred	$0.0M
Common Equity	$51M
Convertible Available	Yes

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2012A	--	--	--	--	(1.52)	NM
2013A	--	--	--	(0.30)	(10.11)	NM
2014E	(0.24)A	(0.27)	(0.26)	(0.25)	(1.03)	NM
2015E	--	--	--	--	(1.25)	NM

SUMMARY

TetraLogic presented initial results for its recently acquired HDAC (SHP-141) in CTCL and data on the pharmacodynamic biomarkers from the Phase II study of birinapant in ovarian cancer. In our view, the birinapant data is not very significant; however, the SHP-141 results are intriguing. Specifically, we believe the initial efficacy is encouraging, and the natural localization of the active drug to the skin is a highly differentiating property which may prove commercially valuable. At this point we'll need longer term data to make significant conclusions about SHP-141. We believe TLOG shares are oversold and we would be opportunistic on current weakness.

KEY POINTS

- SHP-141 is a topical HDAC inhibitor which is inactivated by enzymes commonly found in the blood. This deactivation limits systemic exposure and the associated side effects. The key limitation for currently approved systemic HDAC drugs (Istodax, Zolinza, and Targretin) is side effects.
- SHP-141 was tested in a multi-center, randomized, placebo-controlled study that investigated three doses of the drug (0.1%, 0.5%, 1%) administered twice daily for up to 4 weeks. Each arm included five patients on SHP-141 and one on placebo.
- Initial safety data shows the drug was well tolerated with no serious adverse events observed and no dose-limiting toxicity was noted. Importantly, all observed adverse events were limited to the skin, further confirming limited systemic exposure to active drug. Partial response (4/15) and stable disease (6/15) were only observed in the treated arms.
- We believe SHP-141 is a highly differentiated HDAC. While the drug is in early stages of development, we believe the initial profile is commercially attractive and the data are encouraging. We will need to see longer term data to get a better sense of the drug's clinical potential.
- Birinapant biomarker data in ovarian cancer showed a strong inhibition of cIAP1, but didn't translate to consistent reduction in caspase 3. It's not clear what this data implies for the efficacy of drug, particularly in combination with other agents.

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.

Boris Peaker, Ph.D., CFA
212 667-8564
Boris.Peaker@opco.com

Matthew Pommer, Ph.D.
212-667-8124
Matthew.Pommer@opco.com

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 $9/share 12- to 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 median comparables valuation of $286M, we arrive at a price target of $9/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.

Stocks trading under $5 may be considered speculative and appropriate for risk-tolerant investors.

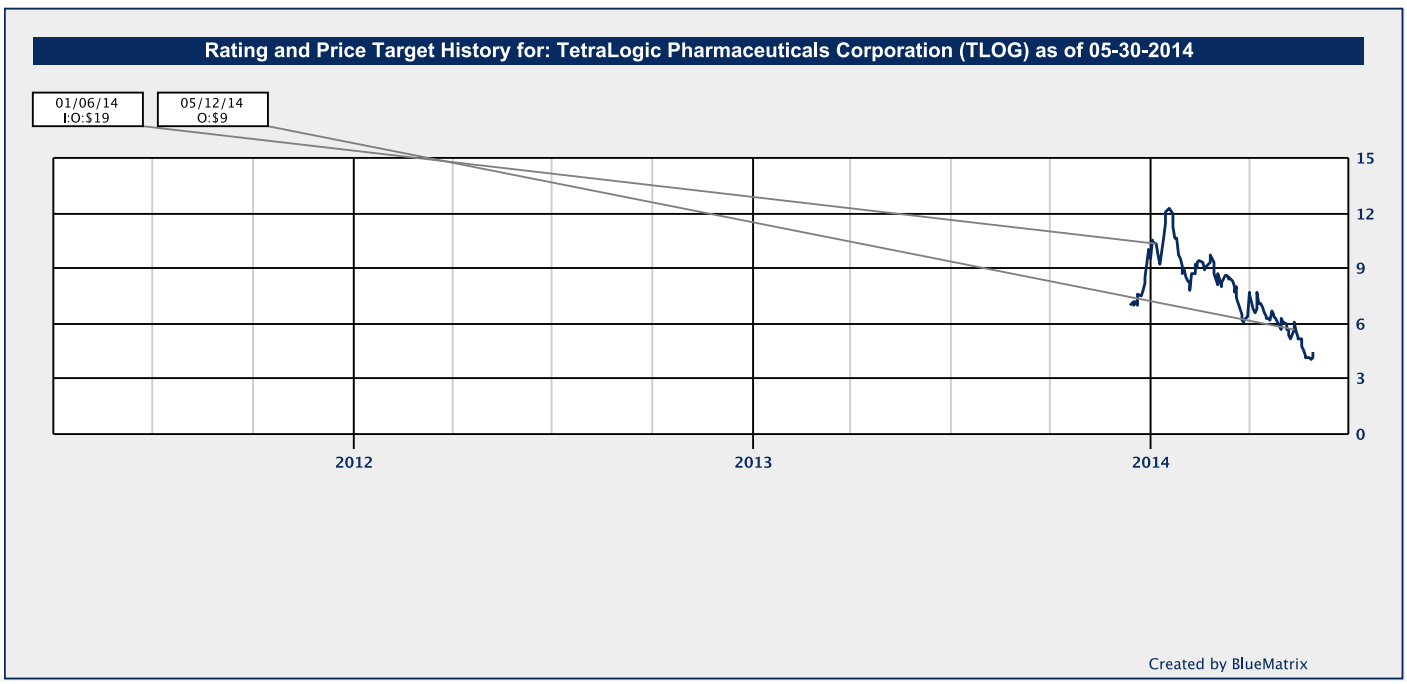
SMAC Second mitochondria-derived activator of caspases.

Important Disclosures and Certifications

Analyst Certification - The author certifies that this research report accurately states his/her personal views about the subject securities, which are reflected in the ratings as well as in the substance of this report. The author certifies that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Potential Conflicts of Interest:

Equity research analysts employed by Oppenheimer & Co. Inc. are compensated from revenues generated by the firm including the Oppenheimer & Co. Inc. Investment Banking Department. Research analysts do not receive compensation based upon revenues from specific investment banking transactions. Oppenheimer & Co. Inc. generally prohibits any research analyst and any member of his or her household from executing trades in the securities of a company that such research analyst covers. Additionally, Oppenheimer & Co. Inc. generally prohibits any research analyst from serving as an officer, director or advisory board member of a company that such analyst covers. In addition to 1% ownership positions in covered companies that are required to be specifically disclosed in this report, Oppenheimer & Co. Inc. may have a long position of less than 1% or a short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. Recipients of this report are advised that any or all of the foregoing arrangements, as well as more specific disclosures set forth below, may at times give rise to potential conflicts of interest.



All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 85 Broad Street, New York, NY 10004, Attention: Equity Research Department, Business Manager.

Oppenheimer & Co. Inc. Rating System as of January 14th, 2008:

Outperform(O) - Stock expected to outperform the S&P 500 within the next 12-18 months.

Perform (P) - Stock expected to perform in line with the S&P 500 within the next 12-18 months.

Underperform (U) - Stock expected to underperform the S&P 500 within the next 12-18 months.

Not Rated (NR) - Oppenheimer & Co. Inc. does not maintain coverage of the stock or is restricted from doing so due to a potential conflict of interest.

Oppenheimer & Co. Inc. Rating System prior to January 14th, 2008:

Buy - anticipates appreciation of 10% or more within the next 12 months, and/or a total return of 10% including dividend payments, and/or the ability of the shares to perform better than the leading stock market averages or stocks within its particular industry sector.

Neutral - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Firmwide

			IB Serv/Past 12 Mos.	
Rating	Count	Percent	Count	Percent
OUTPERFORM [O]	300	51.02	144	48.00
PERFORM [P]	279	47.45	99	35.48
UNDERPERFORM [U]	9	1.53	2	22.22

Although the investment recommendations within the three-tiered, relative stock rating system utilized by Oppenheimer & Co. Inc. do not correlate to buy, hold and sell recommendations, for the purposes of complying with FINRA rules, Oppenheimer & Co. Inc. has assigned buy ratings to securities rated Outperform, hold ratings to securities rated Perform, and sell ratings to securities rated Underperform.

Company Specific Disclosures

Oppenheimer & Co. Inc. makes a market in the securities of TLOG.

Oppenheimer & Co. Inc. expects to receive or intends to seek compensation for investment banking services in the next 3 months from TLOG.

In the past 12 months Oppenheimer & Co. Inc. has received compensation for investment banking services from TLOG.

In the past 12 months Oppenheimer & Co. Inc. has managed or co-managed a public offering of securities for TLOG.

In the past 12 months Oppenheimer & Co. Inc. has provided investment banking services for TLOG.

Additional Information Available

Please log on to http://www.opco.com or write to Oppenheimer & Co. Inc., 85 Broad Street, New York, NY 10004, Attention: Equity Research Department, Business Manager.

Other Disclosures

Not for Distribution: This investor conference book is approved for limited distribution by Oppenheimer & Co. Inc. solely for distribution to institutional clients attending this conference and not with a view toward general distribution as a research report. This conference book is provided to conference attendees for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation is prohibited.

This report is issued and approved for distribution by Oppenheimer & Co. Inc., a member of the New York Stock Exchange ("NYSE"), NASD and SIPC. This report is provided, for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited.

The securities mentioned in this report may not be suitable for all types of investors. This report does not take into account the investment objectives, financial situation or specific needs of any particular client of Oppenheimer & Co. Inc. Recipients should consider this report as only a single factor in making an investment decision and should not rely solely on investment recommendations contained herein, if any, as a substitution for the exercise of independent judgment of the merits and risks of investments. Before making an investment decision with respect to any security recommended in this report, the recipient should consider whether such recommendation is appropriate given the recipient's particular investment needs, objectives and financial circumstances. Non-client recipients of this report who are not institutional investor clients of Oppenheimer & Co. Inc. should consult with an independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. Oppenheimer & Co. Inc. will not treat non-client recipients as its clients solely by virtue of their receiving this report.

Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this report. The price of the securities mentioned in this report and the income they produce may fluctuate and/or be adversely affected by exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Oppenheimer & Co. Inc. accepts no liability for any loss arising from the use of information contained in this report, except to the extent that liability may arise under specific statutes or regulations applicable to Oppenheimer & Co. Inc.

Information, opinions and statistical data contained in this report were obtained or derived from sources believed to be reliable, but Oppenheimer & Co. Inc. does not represent that any such information, opinion or statistical data is accurate or complete (with the exception of information contained in the Important Disclosures section of this report provided by Oppenheimer & Co. Inc. or individual research analysts), and they should not be relied upon as such. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this report and are subject to change without notice.

Nothing in this report constitutes legal, accounting or tax advice. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice on the tax consequences of investments. As with any investment having potential tax implications, clients should consult with their own independent tax adviser.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. Oppenheimer & Co. Inc. has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.