

May 27, 2014

HEALTHCARE/BIOTECHNOLOGY

Stock Rating:

**OUTPERFORM**

12-18 mo. Price Target \$9.00  
TLOG - NASDAQ \$4.17

3-5 Yr. EPS Gr. Rate NA  
52-Wk Range \$14.75-\$4.09  
Shares Outstanding 22.3M  
Float 5.8M  
Market Capitalization \$92.9M  
Avg. Daily Trading Volume 119,909  
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

# TetraLogic Pharmaceuticals Corporation

## Birinapant Combination To Advance In MDS

### SUMMARY

Earlier today, TetraLogic announced plans to commence a randomized Phase II study evaluating birinapant in combination with azacitidine versus azacitidine alone for the treatment of patients with first-line, high-risk myelodysplastic syndrome (MDS). TetraLogic selected a dose of 13mg/m<sup>2</sup> twice weekly for three of every four weeks for the Phase II study. The decision was made based on data from its ongoing Phase Ib trial evaluating the safety and tolerability of birinapant in combination with azacitidine in patients with relapsed/refractory or naïve high-risk MDS. In our view, the early signs of efficacy and lack of dose-limiting hematological toxicities are encouraging.

### KEY POINTS

- TLOG reported that no dose-limiting hematological toxicities were reported. The company did report abnormally severe local injection-site reaction in a number of patients who received subcutaneous azacitidine injections. Injection-site reaction concerns are mitigated through the use of intravenously administered azacitidine.
- Preliminary indications of efficacy observed in the Phase Ib study include an inhibition of NFκB in circulating blast cells at the 13mg/m<sup>2</sup> dose. Data indicated that three of nine patients enrolled in the Phase Ib showed a bone marrow blast count reduction. It is too early to detect durability of response.
- We believe that investors remain focused on birinapant + Amgen's TRAIL anticipated results from the Phase I/II ovarian cancer study in 3Q14. A positive results (vs. historical controls) could generate a significant partnering interest in birinapant.
- We maintain our Outperform rating on the shares of TLOG and believe that the recent weakness creates an attractive entry point.

### 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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## 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.

SMAC Second mitochondria-derived activator of caspases

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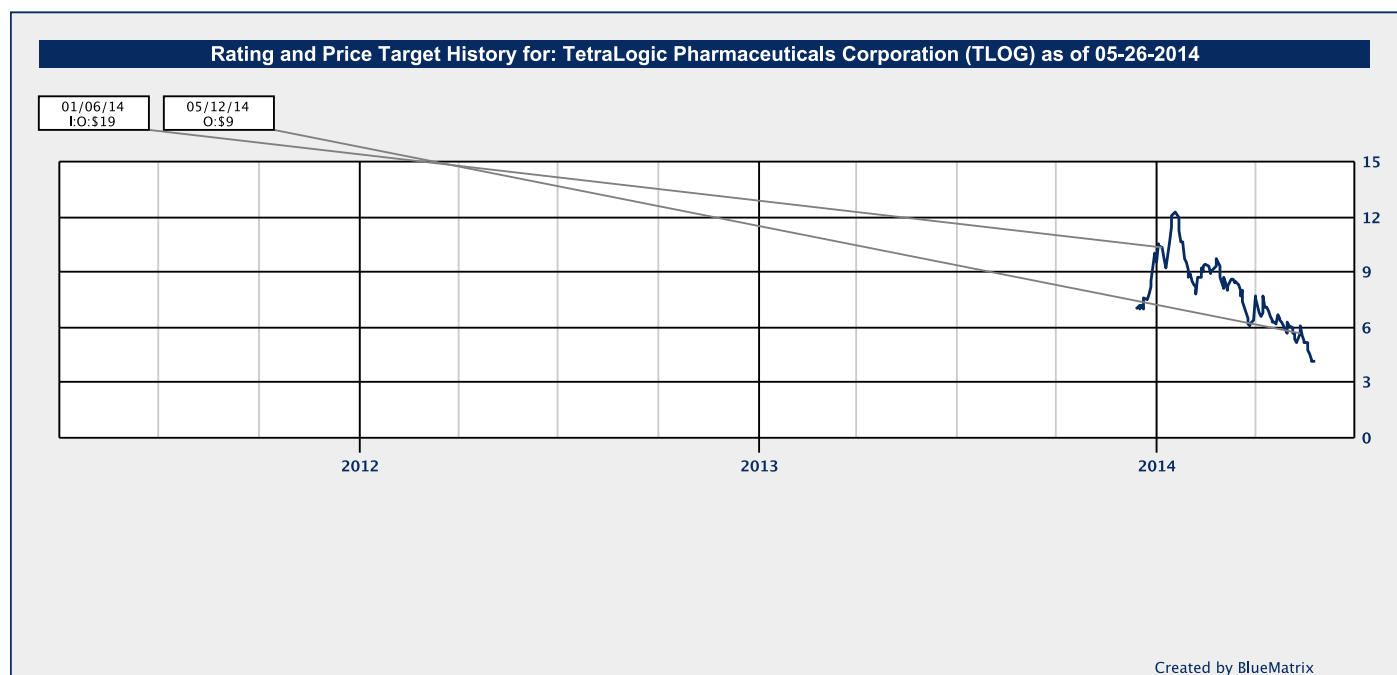
### Potential Conflicts of Interest:

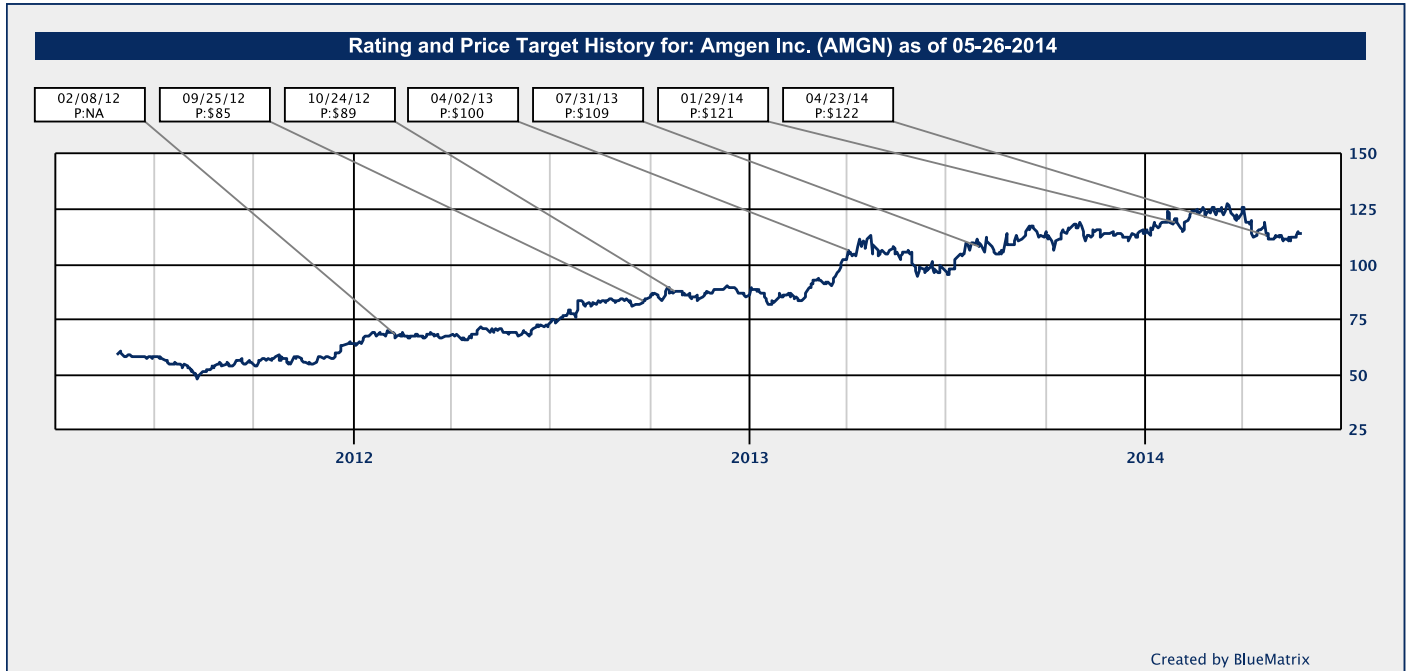
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Amgen Inc. (AMGN - NASDAQ, \$114.33, PERFORM)





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.

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Rating	Count	IB Serv/Past 12 Mos.		Count	Percent
		Percent			
OUTPERFORM [O]	299	50.76		144	48.16
PERFORM [P]	281	47.71		99	35.23
UNDERPERFORM [U]	9	1.53		2	22.22

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