

**Tetralogic Pharmaceuticals**

TLOG - BUY - Birinapant's LT Potential in HBV Outlined on Investigator Conference Call

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**FLASH NOTE****SECTOR:** Biotechnology

June 16, 2014

On 6/16, TLOG (BUY, \$5.82) hosted a conference call with Dr. Marc Pellegrini focused on positive preclinical results for birinapant, TLOG's lead SMAC mimetic, in Hepatitis B (HBV). Dr. Pellegrini is the head of the infectious disease group at the Eliza Hall Institute of Medical Research in Melbourne, AU, and he has led the preclinical investigation of birinapant in mouse models of HBV. Importantly, Dr. Pellegrini reported that birinapant shows strong activity in several HBV models, both in acutely reducing viremia and eliminating HBV surface antigen (HBVsAg). The drug achieves this effect by inducing apoptosis in HBV infected cells, which we view as a potentially differentiated mechanism of action vs. established HBV antivirals, like Baraclude and Viread. Further, the preclinical results suggest that birinapant may have a stronger impact on lowering of HBVsAg/seroconversion than the direct-acting antivirals. Although Dr. Pellegrini noted that birinapant was associated with liver enzyme elevations in preclinical models, based on pro-apoptotic effects, he pointed out that these increases were transient and would likely be manageable in HBV patients. TLOG intends to begin a Ph.I trial of birinapant in HBV in 4Q14, with first results expected in mid-'15.

Although we believe Ph.I/II results for birinapant in oncology, specifically MDS and ovarian cancer, are the principal NT value drivers for TLOG, we believe the drug's LT potential in HBV should not be entirely discounted, based on the preclinical results described by Dr. Pellegrini. If these results are replicated in early clinical trials, we believe they would be viewed as clinically meaningful by both physicians and investors. Although we note that HBV is a relatively mature market, dominated by Baraclude and Viread, we believe there would be room for growth of a new drug, like birinapant, with a complementary mechanism to these antivirals. We continue to view TLOG as undervalued based on birinapant's potential in oncology, and we believe the drug's LT potential in HBV is not reflected in the stock's current price.

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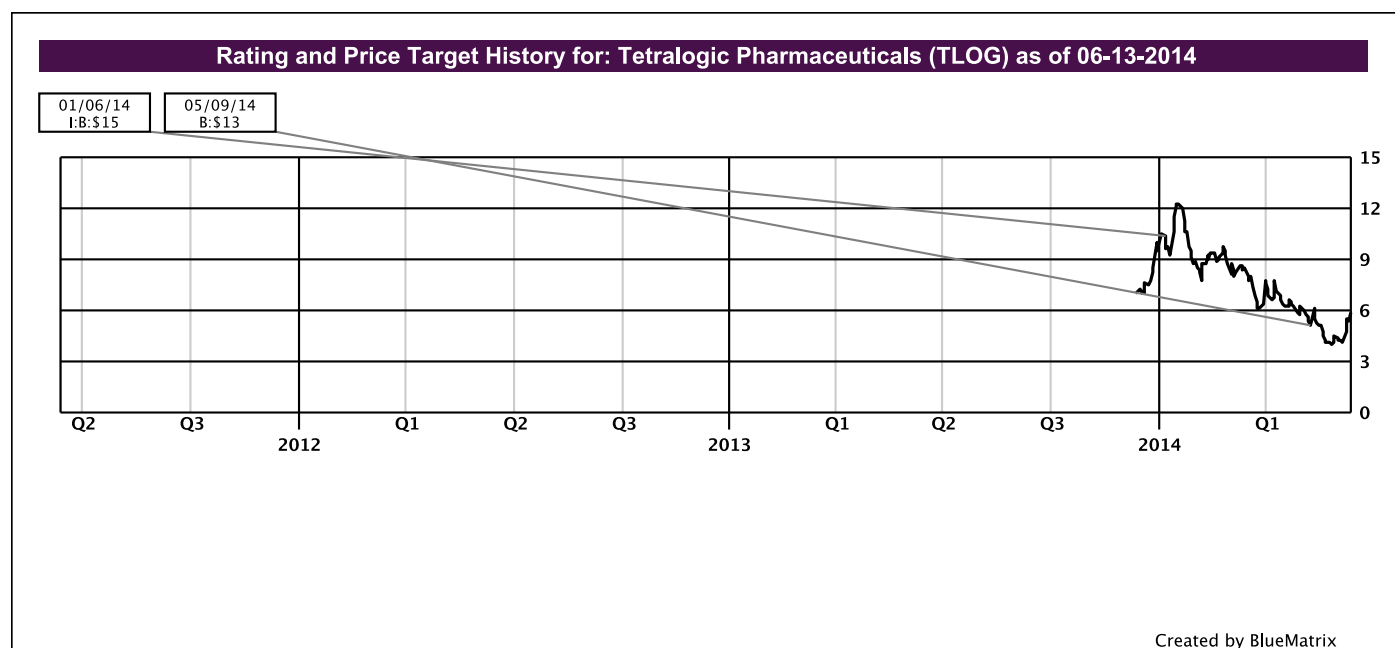
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