

Biotechnology

Onconova Therapeutics, Inc.

(ONTX) - BUY

Price: **\$13.48**
Fair Value Estimate: \$40.00
52-Week Range: \$11.73-\$31.13
Market Cap (MM): \$289
Shr.O/S-Diluted (mm): 21.4
Average Daily Volume: 273,635

FYE: Dec	2011A	2012A	2013E
EPS:	--	\$(11.50)A	\$(5.25)E
Prior EPS:	NC		NC
P/E Ratio:	--	NA	NA

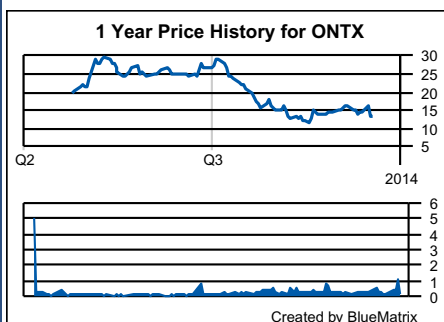
Quarterly EPS:

Q1	--	--	\$(1.03)E
Q2	--	--	\$(5.21)E
Q3	--	--	\$(1.34)E
Q4	--	--	\$(1.02)E

FYE: Dec	2011A	2012A	2013E
Revenue (M):	--	\$46.0A	\$3.9E

Quarterly Revenue (M):

Q1	--	--	\$1.1E
Q2	--	--	\$0.6E
Q3	--	--	\$1.1E
Q4	--	--	\$1.1E



Equity Research
Note

ONTX: Takeaways From Analyst Day

INVESTMENT CONCLUSION:

ONTX hosted an analyst/investor day where management and a panel of thought leaders highlighted and endorsed the rigosertib program. The speakers focused on rigosertib's mechanism of action, reviewed the datasets in the higher- and lower-risk MDS populations and discussed the lack of therapies in MDS. No new data were presented. Overall, the discussions solidified our view that the bar for rigosertib to demonstrate clinical benefit in the higher-risk population is achievable based on the current dataset and on the lack of adequate treatment options. Management continues to expect data from the ONTIME study in 1Q14. We continue to recommend shares ahead of nearing catalysts and consider ONTX a compelling investment based on a burgeoning pipeline, near-term milestones, strong management team, and compelling valuation. Thus, we reiterate our \$40 fair value estimate, which is based on a DCF analysis of cash flows through 2021.

KEY POINTS:

- **MDS thought leaders and lead investigators view rigosertib as a differentiated drug.** Consensus from the physician panel indicated that rigosertib is a well-tolerated, highly differentiated small molecule therapy targeting unmet medical needs. The key differentiating factors for this drug are its lack of myelosuppression, its ability to target numerous different cancer types safely with high selectivity and its unique mechanism of action that allows for improved efficacy and reduced toxicity, all important factors in treating MDS patients.
- **Nearing binary event. Risk/reward profile favors owning shares.** The next inflection point for the company will be top-line Phase III rigosertib data release in the high-risk population (ONTIME) in 1Q14. Several factors give us increased confidence in a favorable Phase III outcome, namely, the fact that rigosertib demonstrated favorable bone marrow response in Phase II studies in the higher-risk population and that the drug is being compared to best supportive care in which patients only show response rates of 17%-23%.
- **A highly undervalued opportunity ahead of major events.** We recommend ONTX shares based on rigosertib's compelling profile, meaningful market opportunities, long-term growth prospects, upcoming catalysts, strong management team and favorable valuation.

**Research Analyst Certifications and Important Disclosures
are on pages 2 - 3 of this report**

IMPORTANT DISCLOSURES

Research Analyst Certification

I, Kimberly Lee, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Onconova Therapeutics, Inc. currently is, or during the past 12 months was, a Janney Montgomery Scott LLC client. Janney Montgomery Scott LLC, provided investment banking related services.

Janney Montgomery Scott LLC currently acts as a market-maker in the securities of Onconova Therapeutics, Inc..

Janney Montgomery Scott LLC managed or co-managed a public offering of securities for Onconova Therapeutics, Inc. in the past 12 months.

Janney Montgomery Scott LLC received compensation for investment banking services from Onconova Therapeutics, Inc. in the past 12 months.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Onconova Therapeutics, Inc. in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

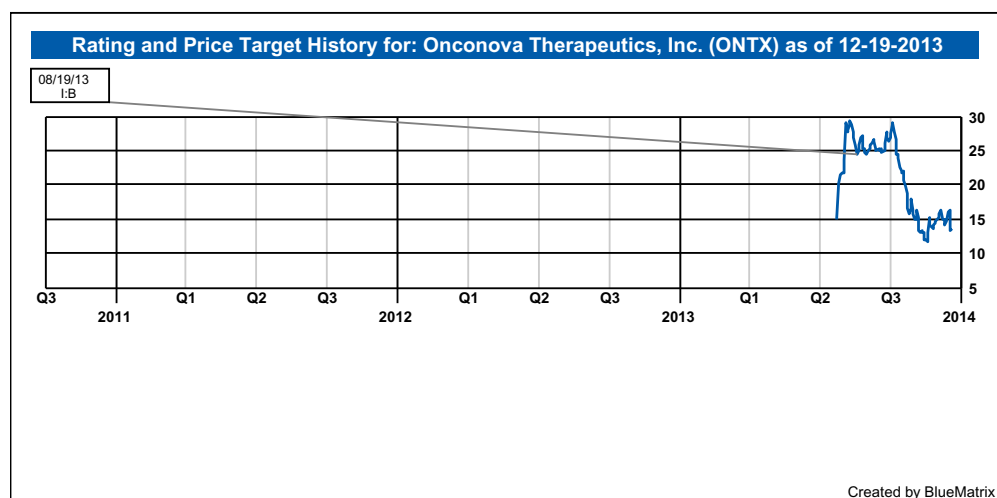
Definition of Ratings

BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL: Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL: Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

Price Charts



Janney Montgomery Scott Ratings Distribution as of 9/30/13

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	244	51.80	38	15.60
NEUTRAL [N]	221	46.90	21	9.50
SELL [S]	6	1.30	0	0.00

***Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.**

Other Disclosures

Janney Montgomery Scott LLC, is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

This report is for your information only and is not an offer to sell or a solicitation of an offer to buy the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal or the entity that provided this report to them, should they desire further information. The information in this report has been obtained or derived from sources believed by Janney Montgomery Scott LLC, to be reliable. Janney Montgomery Scott LLC, however, does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of Janney Montgomery Scott LLC at this time and are subject to change without notice.

Investment opinions are based on each stock's 6-12 month return potential. Our ratings are not based on formal price targets, however, our analysts will discuss fair value and/or target price ranges in research reports. Decisions to buy or sell a stock should be based on the investor's investment objectives and risk tolerance and should not rely solely on the rating. Investors should read carefully the entire research report, which provides a more complete discussion of the analyst's views. Supporting information related to the recommendation, if any, made in the research report is available upon request.