

# OncoMed Pharmaceuticals

(OMED-NASDAQ)

**Stock Rating:** Outperform  
**Stock Price:** US\$24.90  
**Target Price:** US\$43.00

June 13, 2014  
Biotechnology

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## Trial Halt on Bone Related Events Should Be Minor Speed Bump

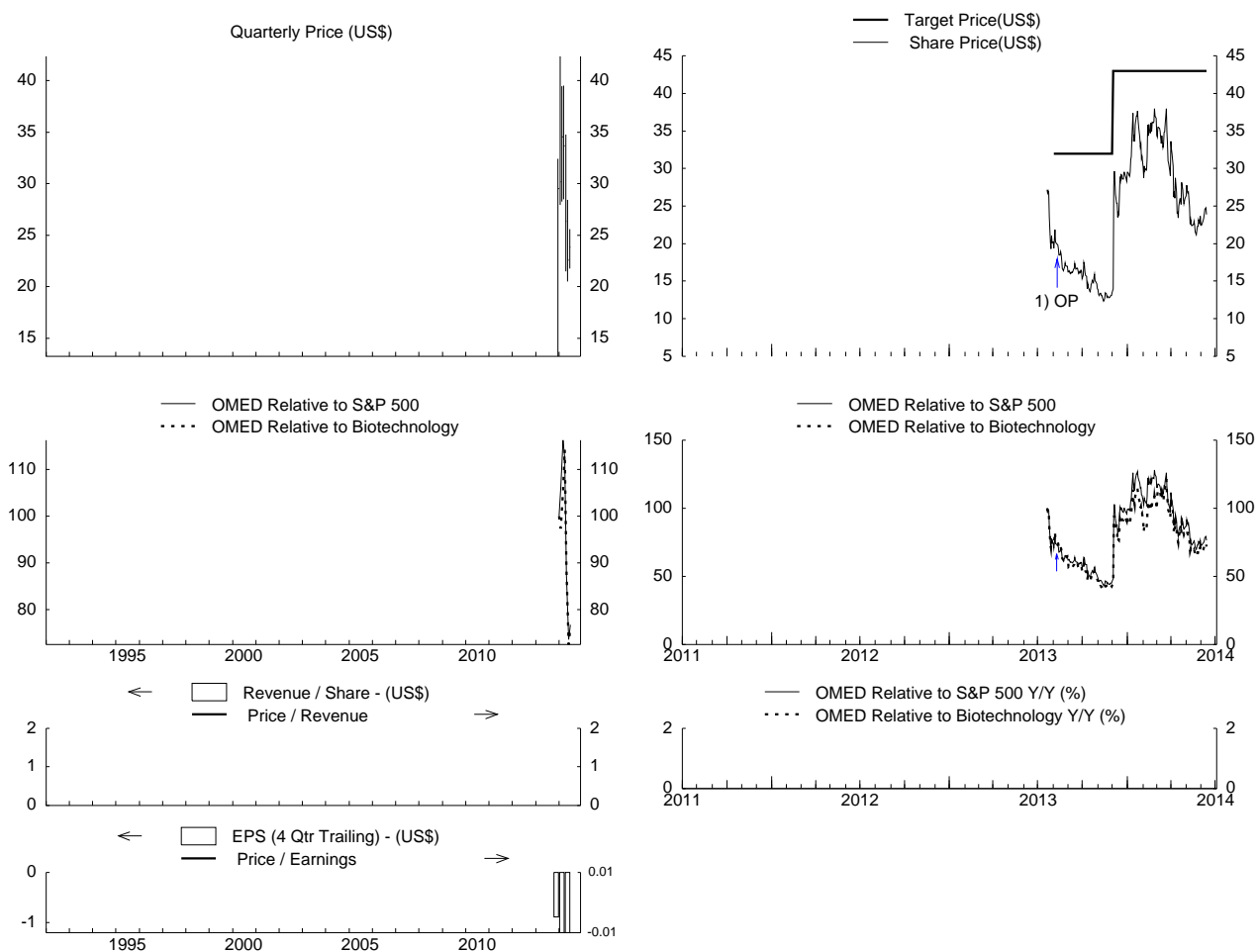
OncoMed Pharmaceuticals announced today that it has voluntarily halted patient enrollment and dosing in its ongoing phase 1 clinical trials of its two Wnt pathway inhibitor programs, vanticumab (anti-Fzd7, OMP-18R5) and Fzd8-Fc (OMP-54F28). The voluntary halt was a result of on-target mild-to-moderate bone-related adverse events that have been observed in 13% of vanticumab-treated patients and 5% of Fzd8-Fc-treated patients. OMED is analyzing the clinical data and plans to submit amended protocols to FDA and to the IRBs of clinical sites. Amendments for the phase 1b combination trials will include modified dosing regimens, risk mitigation measures (increased monitoring and bone protection strategies), and modified enrollment criteria. The company intends to continue dosing in those patients in the completed single-agent phase 1a trials for both vanticumab and Fzd8-Fc who have remained on treatment for extended time without disease progression or significant drug-related adverse events.

### Our View:

- Asymptomatic micro-fractures in a relatively small subset of patients is expected with Wnt inhibition, and should be addressable with enhanced prophylaxis with zoledronic acid and more frequent monitoring of bone markers like CTX.
- We are reassured that on-target bone AEs are due to dose intensity and that proposed lower dose intensity is within the range of doses demonstrating pre-clinical efficacy.
- There is no read-through of on-target Wnt-related bone toxicity to three other cancer stem cell programs in clinical development, and we ultimately expect proposed protocol amendments for the two Wnt programs to be accepted by FDA. As such, we would recommend that investors buy OMED on weakness.

Please refer to pages 2 to 5 for Important Disclosures, including the Analyst's Certification.

## Oncomed Pharmaceuticals (OMED)



FYE (Dec.)	EPS US\$	P/E Hi - Lo	DPS US\$	Yield% Hi - Lo	Payout %	BV US\$	P/B Hi - Lo	ROE %
2013	-1.93	na na	0.00	0.0 0.0	0	4.0	8.1 3.0	
Range*		na na		0.0 0.0			8.1 3.0	
Current*	-1.20	na	0.00	0.0	0	3.6	6.2	na

OMED - Rating as of 17-Jul-13 = NR

Date	Rating Change	Share Price
1 8-Aug-13	NR to OP	\$19.88

\* Current EPS is the 4 Quarter Trailing to Q1/2014.  
 \* Valuation metrics are based on high and low for the fiscal year.  
 \* Range indicates the valuation range for the period presented above.

Last Price ( June 11, 2014): \$23.84  
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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**Methodology and Risks to Price Target/Valuation**

**Methodology:** We arrive at our price target by applying a 20x multiple to our 2020 GAAP EPS estimate of \$6.01 and discounting at 25%.

**Risks:** There are a number of risks associated with investment in biotechnology companies. These risks include, but are not limited to, risk of clinical trial delay or failure, adverse regulatory decisions including product non-approval, unanticipated adverse effects of drugs which may result in removal from market, risk of manufacturing difficulties, capital market risk which may impair the ability to fund product discovery, research, regulatory filing, manufacture and/or commercialization, risk in attaining and retaining appropriate development or commercial partners, lower-than-expected product adoption, difficulties in gaining appropriate reimbursement for products from payors, unforeseen generic and branded competition, risk to patents being invalidated, and failure to meet earnings and revenue expectations.

**Distribution of Ratings (March 31, 2014)**

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	42.0%	21.5%	60.7%	40.8%	53.6%	53.6%
Hold	Market Perform	52.8%	10.8%	38.2%	52.8%	43.8%	40.8%
Sell	Underperform	5.2%	3.2%	1.1%	6.3%	2.7%	5.6%

\* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis

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Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis on a total return basis

(S) = speculative investment;

NR = No rating at this time;

R = Restricted – Dissemination of research is currently restricted.

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