

December 13, 2013

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MacroGenics (MGNX - OUTPERFORM): ASH Wrap up -- MGD006 pre-clinical oral presentation highlights potency of this CD3 IL-3R DART

Price: \$24.96

12-Month Price Target: \$70

- **Ex vivo (AML patient blood samples treated in a test tube) data for MGD006 was presented at ASH (Targeting CD123 in Leukemic Stem Cells Using Dual Affinity Re-Targeting Molecules - DARTs).** MGD006 simultaneously targets IL-3R on AML and CD-3 on T-cells.
- **The study showed that MGD006 expanded the very few T-cells present in the blood sample, and these then killed the AML blasts with 1 T-cell killing about 111 blasts**
- **Following the talk, we discussed the results with several audience members, each of whom expressed significant enthusiasm for the potential of this therapy and all noting the 1:111 ratio.**
- **The CD-3 enabled DARTs make up about half of the up to 19 that are being worked on by MGNX and its licensees.** Potentially positive clinical data for MGD006 (CD3•IL-3R) in 2014 is likely to be accompanied by significantly greater enthusiasm for these other programs including MDG007 (CD3•gpa33) which is targeted at colorectal cancer.
- **We reiterate our OUTPERFORM rating and \$70 price target.** Our \$70 price target is derived from the sum of multiples of sales and royalties from the company's proprietary and partnered products, each discounted back to YE:14.

Risks to the achievement of our price target include clinical failures of margetuximab, MGA271, MGD006, MGD007, and product advancement and development success rates for MGNX's licensees below that for which we have modelled.

Upcoming Milestones

- H1:14 IND filing for margetuximab in the advanced gastroesophageal cancer setting (our estimate)
- H1:14 Initiate a Phase 1 clinical trial of MGD006 (IL-3R•CD3) target in the AML setting
- H2:14 Initiate a Phase 3 study of margetuximab with or without paclitaxel or irinotecan in the third line advanced gastroesophageal cancer setting (primary endpoint is overall survival)
- H2:14 Initiate a Phase 1 clinical trial of MGD007 (gpa33•CD3) (second DART candidate) in the colorectal cancer setting
- 2014 Complete enrollment of the Phase 2a clinical trial of margetuximab (HER2) in the metastatic breast cancer setting
- 2014 Complete enrollment (n=45) of the dose-expansion portion of the Phase 1 clinical trial of MGA271 (B7-H3) target as a single-agent in patients with advanced solid tumors
- 2014 Top-line results from the Phase IIa study of margetuximab (HER2) in the metastatic breast cancer setting
- 2015 Initiate a Phase 2 study of MGA271 (B7-H3) in the solid tumor setting to be identified from ongoing Phase I/II studies
- 2017 Potential top-line data from the Phase III study of margetuximab in the second line advanced gastroesophageal cancer setting (our estimate)

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Company	Disclosure
MacroGenics	1,3,4,5,7

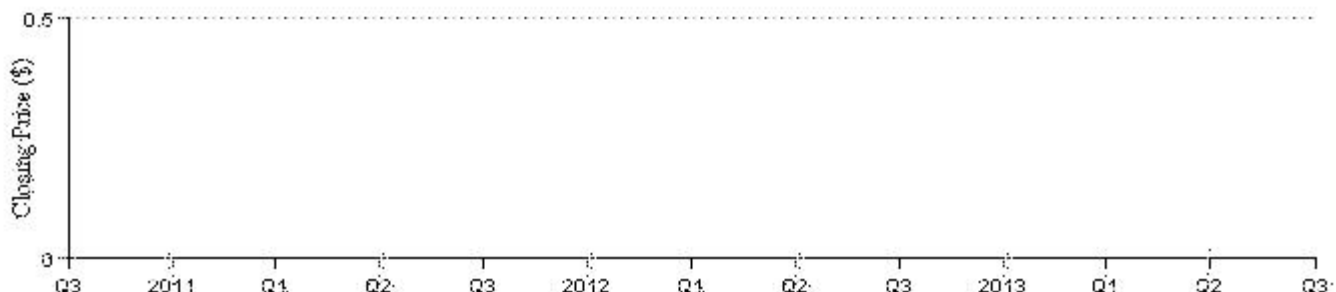
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MGNX



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