

September 30, 2014

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MacroGenics (MGNX - OUTPERFORM): Takeda Expands DART Collaboration, Reiterate OUTPERFORM

Price: \$20.96

12-Month Price Target: \$52

- **Takeda entered into an agreement with MGNX to develop and commercialize up to four DARTs.** The parties will jointly select the targets for the DARTs. Takeda has a separate collaboration with MGNX over MGD010, a DART targeting CD32b and CD79b that is in preclinical development for autoimmune diseases.
- **Under the terms of the agreement, Takeda will fund all R&D and will receive an exclusive global license to each of the four candidates.** MGNX will receive up to \$400M in milestones for each DART and is eligible for double-digit royalties on global net sales. MGNX also retains co-promotion rights in the U.S. for each candidate, and can elect to fund a portion of the Phase III costs in exchange for a share of North American profits.
- **The potential \$1.6B deal further validates MGNX's DART platform.** We view Takeda's decision to enter into another large collaboration with MGNX, less than six months after the MGD010 deal, as further endorsement of the DART technology by industry. MGNX has also entered into DART collaborations with Boehringer Ingelheim, Pfizer, Servier and Gilead. MGNX's lead DARTs (both partnered with Servier) include MGD006, currently in a Phase I trial in AML, and MGD007, set to enter a Phase I trial in colorectal cancer this half.
- **Reiterate OUTPERFORM and \$52 price target.** Our PT is derived from the sum of multiples of sales and royalties from margetuximab and the Servier-partnered programs (MGA271, MGD006 and MGD007), each discounted back to YE:14.

Risks to achievement of our price target include clinical failures and product advancement and development success rates for MacroGenics's licensees below that for which we have modelled.

Milestones

H2:14	Initiate Phase 3 study of margetuximab w/without paclitaxel or irinotecan in 3rd line advanced gastroesophageal cancer
H2:14	initiate Phase 1 study of MGD007 (gpa33-CD3) in colorectal cancer
H2:14	initiate additional monotherapy expansion cohorts in Phase 1 study of MGA271 (B7-H3)
YE:14	complete enrollment (n=45) of first 3 dose-expansion cohorts in Phase 1 trial of MGA271 (B7-H3) as a single-agent in advanced solid tumors
H1:15	complete enrollment of Phase 2a clinical trial of margetuximab (HER2) in metastatic breast cancer
H1:15	top line results from Phase 2a trial of margetuximab in metastatic breast cancer
2015	Initiate Ph2 trial of MGA271 in combination with other therapies
2015	initiate a Phase 1a trial of CD32b/CD79b (MDG010) in autoimmune/inflammatory disease
2015	advance two unpartnered preclinical DARTs into the clinic for oncology

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Company	Disclosure
MacroGenics	1,3,4,5

Research Disclosure Legend

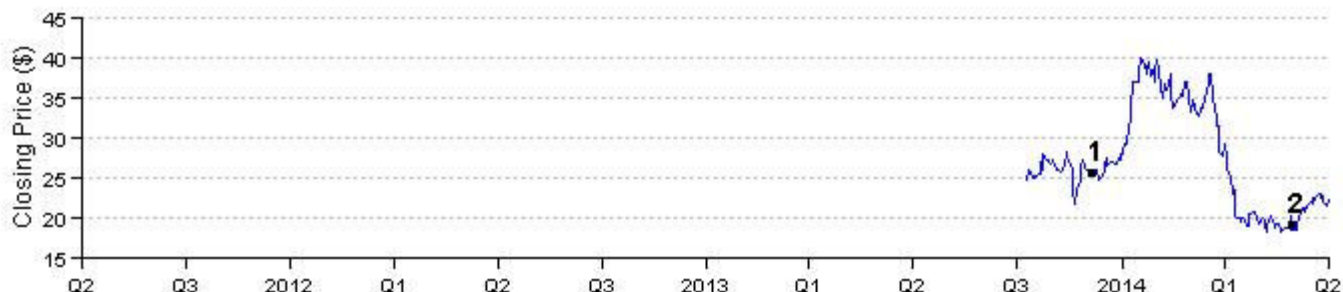
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MGNX

1) 12/03/13	2) 05/27/14
OUTPERFORM \$70	OUTPERFORM \$52



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