

OncoMed Pharmaceuticals, Inc. (OMED)

Overweight

Not Surprisingly, FDA Places OMP-54F28 on Partial Clinical Hold

CONCLUSION

After the close, OncoMed announced that the FDA has placed Fzd8-Fc (OMP-54F28) on a partial clinical hold until additional data and revised protocols have been submitted and reviewed. This is not a surprise following the company's voluntary suspension of enrollment and dosing in clinical trials for both vantictumab (OMP-18R5) and OMP-54F28 last Friday, and the FDA placed vantictumab on partial clinical hold earlier this week. Both drugs are partnered with Bayer. OMED shares have begun to recover as we view demcizumab and OMP-59R5 as the primary value drivers. We reiterate our Overweight rating and \$43 price target.

- FDA Places OMP-54F28 on Partial Clinical Hold.** After the close, the FDA placed OMP-54F28 on a partial clinical hold following OncoMed's decision to voluntarily halt clinical trials of both vantictumab and OMP-54F28. The partial clinical hold will remain in place until additional data and revised clinical trial protocols have been submitted and reviewed by the agency. The FDA agreed with the company's plan to continue dosing of one patient in the monotherapy Phase Ia study who has remained on OMP-54F28 for >390 days progression free without significant drug-related AEs. This follows a similar move by the agency on Monday to place vantictumab on a partial clinical hold. OncoMed's decision was based on observations of bone related AEs in 8 of 63 patients (13%) of vantictumab and 2 of 41 patients (5%) of OMP-54F28. The company is making protocol modifications including lower doses, less frequent dosing, increased monitoring, increased emphasis on bone protection and an adjustment of enrollment criteria likely to exclude patients who are at greatest risk. Both vantictumab and OMP-54F28 are partnered with Bayer.

- Key Upcoming Milestones.** We view OncoMed's other drugs in development including demcizumab (Celgene option) and OMP-59R5 (partnered with GSK) as more advanced and more important with multiple data read-outs during 2H:14. OncoMed expects to initiate the Phase II portions of the ALPINE and PINNACLE trials that examine OMP-59R5 (Anti-Notch2/3) in pancreatic cancer and small cell lung cancer. The company will also initiate 2 Phase II studies looking at demcizumab in pancreatic and non-small cell lung cancer. The company plans to have data presentations at upcoming medical conferences including ESMO, the EORTC-NCI-AACR meeting and the San Antonio Breast Cancer Symposium in 2H:14.

RISKS TO ACHIEVEMENT OF PRICE TARGET

Cancer is a competitive space. Demcizumab or OncoMed's other antibodies may fail in the clinic. OncoMed may not sign new partnerships and will likely require future cash.

COMPANY DESCRIPTION

OncoMed is developing therapeutic antibodies to treat cancer.

PRICE: US\$25.95

Note: price reflects close on 6/18/14.

TARGET: US\$43.00

Proj EV of \$1.05B + YE:14E cash

Edward A. Tenthoff

Sr Research Analyst, Piper Jaffray & Co.
212 284-9403, edward.a.tenthoff@pjc.com

David N. Lebowitz, CFA

Research Analyst, Piper Jaffray & Co.
212 284-9401, david.n.lebowitz@pjc.com

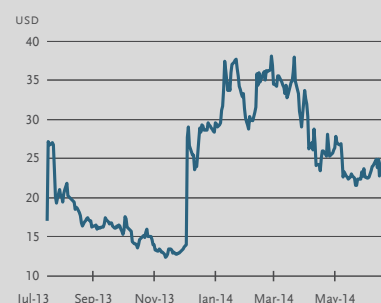
Changes	Previous	Current
Rating	—	Overweight
Price Tgt	—	US\$43.00
FY14E Rev (mil)	—	US\$60.8
FY15E Rev (mil)	—	US\$57.8
FY14E EPS	—	US\$(1.00)
FY15E EPS	—	US\$(1.02)

52-Week High / Low US\$42.34 / US\$12.07
Shares Out (mil) 29.6

Source: Form 10K as of March 11, 2014

Market Cap. (mil)	US\$768.1
Avg Daily Vol (ooo)	180
Book Value/Share	US\$3.58
Net Cash Per Share	US\$9.61
Debt to Total Capital	0%
Div (ann)	NA
Fiscal Year End	Dec

Price Performance - 1 Year



Source: Bloomberg

YEAR	REVENUE (US\$ m)						EARNINGS PER SHARE (US\$)					
	Mar	Jun	Sep	Dec	FY	FY RM	Mar	Jun	Sep	Dec	FY	FY P/E
2013A	2.9	2.9	12.9	19.0	37.8	20.3x	(0.39)	(0.41)	(0.15)	(0.08)	(0.85)	NM
2014E	6.0A	28.9	3.9	21.9	60.8	12.6x	(0.47)A	0.22	(0.65)	(0.10)	(1.00)	NM
2015E	—	—	—	—	57.8	13.3x	—	—	—	—	(1.02)	NM

2013 qtrly EPS does not add to annual b/c of IPO

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OncoMed Pharmaceuticals, Inc.
Quarterly Earnings Estimates
(\$ in thousands, except per share data)

May 8, 2014

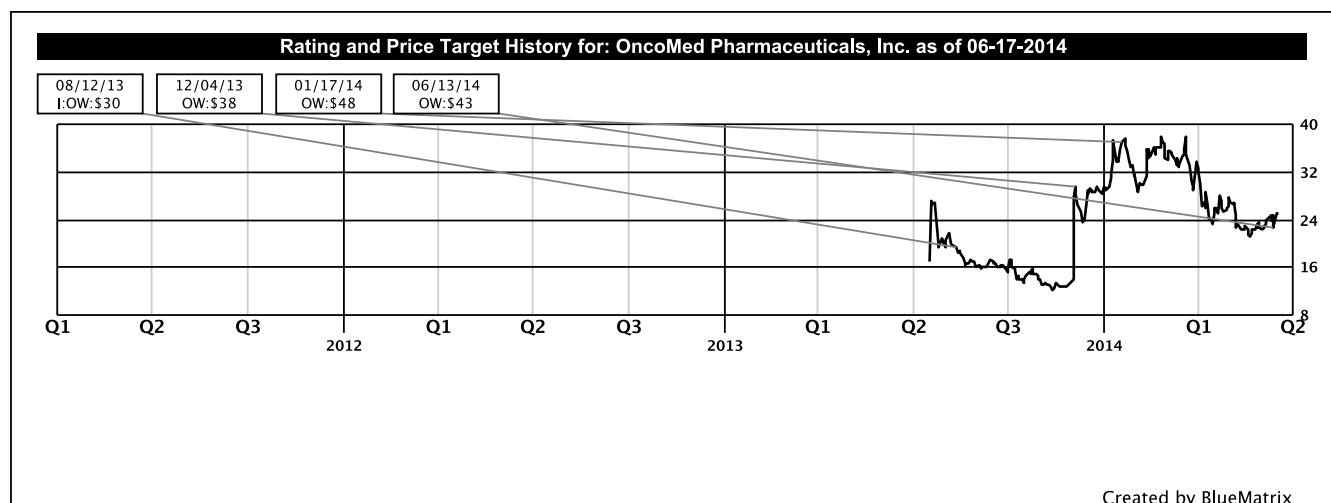
	<u>2012A</u>	<u>1QA</u>	<u>2QA</u>	<u>3QA</u>	<u>4QA</u>	<u>2013A</u>	<u>1QA</u>	<u>2QE</u>	<u>3QE</u>	<u>4QE</u>	<u>2014E</u>	<u>2015E</u>
Revenues:												
Collaborative R&D	\$24,659	\$2,932	\$2,932	\$12,932	\$18,983	\$37,778	\$6,015	\$28,932	\$3,932	\$21,932	\$60,810	\$57,756
Grants	22	0	0	0	0	0	0	0	0	0	0	0
Total Revenues	\$24,681	\$2,932	\$2,932	\$12,932	\$18,983	\$37,778	\$6,015	\$28,932	\$3,932	\$21,932	\$60,810	\$57,756
Operating Expenses:												
Research and Development	\$39,893	\$9,576	\$10,475	\$13,126	\$16,871	\$50,048	\$16,709	\$18,000	\$19,000	\$20,000	\$73,709	\$70,000
General and Administrative	7,157	1,985	1,952	3,175	4,518	11,630	3,213	4,500	4,500	5,000	17,213	20,000
Total Operating Expenses	\$47,050	\$11,561	\$12,427	\$16,301	\$21,389	\$61,678	\$19,922	\$22,500	\$23,500	\$25,000	\$90,922	\$90,000
Operating Loss	(\$22,369)	(\$8,630)	(\$9,496)	(\$3,369)	(\$2,406)	(\$23,900)	(\$13,907)	\$6,432	(\$19,569)	(\$3,069)	(\$30,113)	(\$32,244)
Operating Margin	NM	NM	NM	NM	NM	NM	NM	22.2%	NM	NM	NM	NM
Total Other Income/(Expense)	\$134	\$31	(\$149)	(\$117)	\$7	(\$228)	\$36	\$45	\$40	\$35	\$156	\$100
Pretax Loss	(\$22,235)	(\$8,599)	(\$9,645)	(\$3,486)	(\$2,399)	(\$24,128)	(\$13,871)	\$6,477	(\$19,529)	(\$3,034)	(\$29,957)	(\$32,144)
Pretax Margin	NM	NM	NM	NM	NM	NM	NM	22.4%	NM	NM	NM	NM
Income Tax/(Benefit)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Net Loss	(\$22,235)	(\$8,599)	(\$9,645)	(\$3,486)	(\$2,399)	(\$24,128)	(\$13,871)	\$6,477	(\$19,529)	(\$3,034)	(\$29,957)	(\$32,144)
Pretax Margin	NM	NM	NM	NM	NM	NM	NM	22.4%	NM	NM	NM	NM
Net Loss per Share	(\$1.00)	(\$0.39)	(\$0.41)	(\$0.15)	(\$0.08)	(\$0.85)	(\$0.47)	\$0.22	(\$0.65)	(\$0.10)	(\$1.00)	(\$1.02)
Shares Outstanding	22,224	22,265	23,763	23,179	28,361	28,361	29,443	29,750	30,250	30,500	29,986	31,500

Source: Company reports and Piper Jaffray & Co. analysis.

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Legend:

I: Initiating Coverage
R: Resuming Coverage
T: Transferring Coverage
D: Discontinuing Coverage
S: Suspending Coverage
OW: Overweight
N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

Distribution of Ratings/IB Services Piper Jaffray				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	355	61.85	87	24.51
HOLD [N]	204	35.54	21	10.29
SELL [UW]	15	2.61	0	0.00

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Analyst Certification — Edward A. Tenthoff, Sr Research Analyst **— David N. Lebowitz, CFA, Research Analyst**

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