

OncoMed Pharmaceuticals

(OMED-NASDAQ)

Stock Rating: Outperform
Stock Price: \$35.87
Target Price: \$43.00

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Biotechnology

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Impressive Pancreatic CA Data Validates CSC Approach

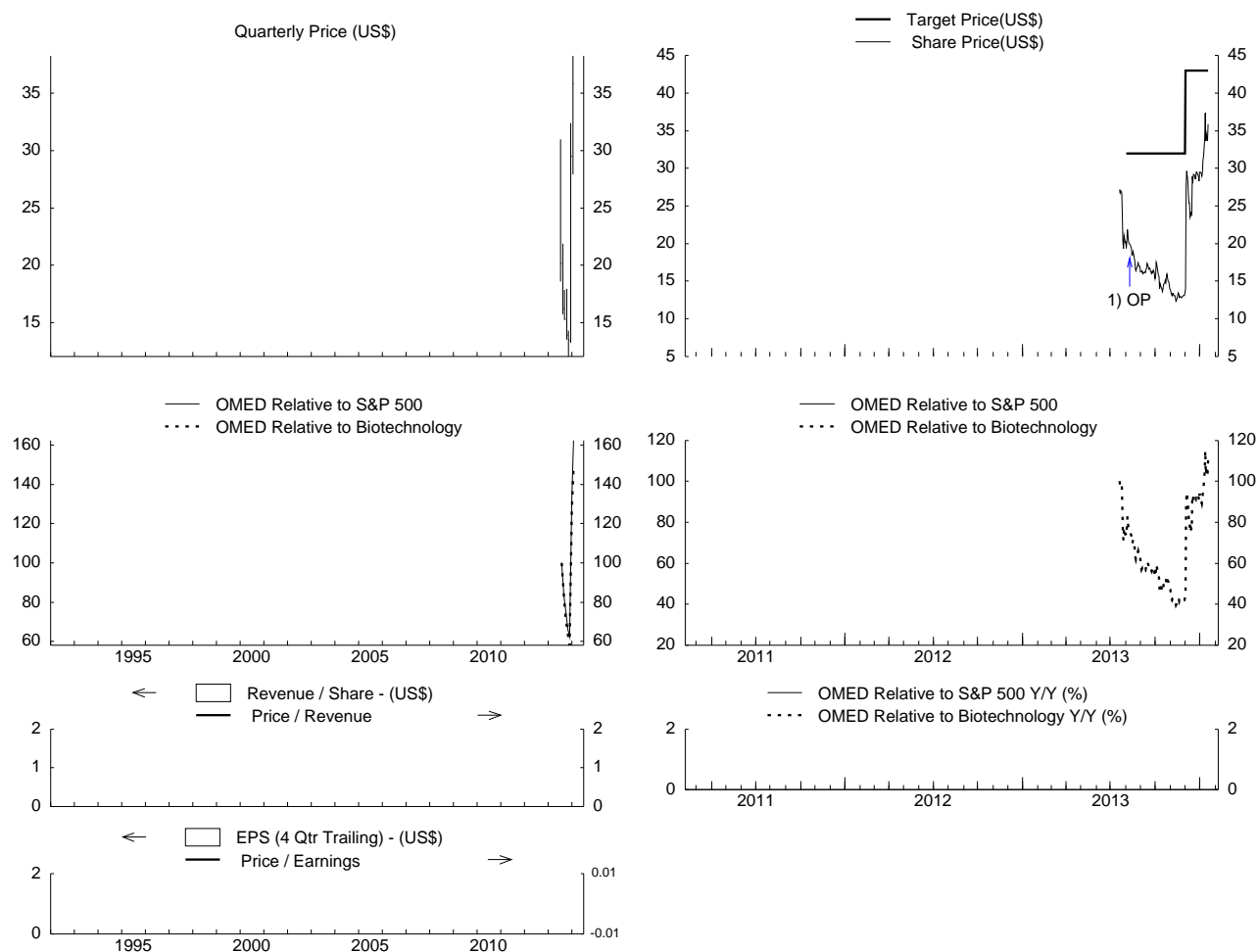
OncoMed (OMED) presented data from two phase 1b trials in first-line advanced pancreatic cancer, one evaluating OMP-59R5 (anti-Notch 2/3) and the other evaluating demcizumab (anti-DLL4), at the 2014 Gastrointestinal Cancers Symposium today in San Francisco. In the phase 1b ALPINE trial, OMP-59R5 + gemcitabine + ABRAXANE demonstrated 46% RECIST partial response (PR) and 23% stable disease (SD) in 13 evaluable patients, and tumor blood marker CA19-9 decreased by $\geq 50\%$ from baseline in 77% of the evaluable patients. The combination of OMP-59R5 with standard-of-care was described as well tolerated, with no dose-limiting toxicities observed up to 12.5 mg/kg. The most common AEs included diarrhea, fatigue, and nausea, typically grade 1 or 2. Enrollment is ongoing and dose escalation proceeded to 15 mg/kg. OMED expects to begin the phase 2 portion of the ALPINE study in 2Q14. In a separate phase 1b trial, demcizumab + gemcitabine + ABRAXANE demonstrated 50% PR and 33% SD, and the combination was described as generally well-tolerated, with fatigue, hypertension, nausea, and vomiting being the most common drug-related toxicities. A randomized phase 2 trial of demcizumab + gemcitabine + ABRAXANE is expected to begin in 2H 2014.

Our View:

- Preliminary data for both combinations of OMP-59R5 + ABRAXANE + GEMZAR as well as demcizumab + ABRAXANE + GEMZAR are impressive and compares favorably with the 23% response rate described for ABRAXANE + GEMZAR alone, although patient numbers are relatively small.
- As stem cell targeted therapies we expect responses to the OMP-59R5 and demcizumab triplet combinations to ultimately to be more durable than those for the ABRAXANE + GEMZAR doublet and to support extended progression free survival (PFS) and potentially overall survival.
- Favorable tolerability to both combinations de-risks these programs substantially, in our opinion, and should provide a strong base to expand both agents into indications beyond pancreatic cancer.
- With substantial funding from partner Celgene, we expect significant data flow from OMED's cancer stem cell pipeline and would continue to recommend OMED shares at current levels.

Please refer to pages 2 to 5 for Disclosure Statements, 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 %	OMED - Rating as of 17-Jul-13 = NR		
Range*:		na na		NC			>15 >15		Date	Rating Change	Share Price
Current*	ND	na	0.00	0.0	na	-141.7	-0.2		1 8-Aug-13	NR to OP	\$19.88

* Current EPS is the 4 Quarter Trailing to Q3/2013.
 * Valuation metrics are based on high and low for the fiscal year.
 * Range indicates the valuation range for the period presented above.

Last Price (January 16, 2014): \$35.87
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

Important Disclosures

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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 (December 31, 2013)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	38.0%	20.4%	49.0%	38.8%	50.4%	52.5%
Hold	Market Perform	56.1%	13.8%	49.0%	54.0%	46.5%	41.8%
Sell	Underperform	5.8%	5.6%	2.0%	7.2%	3.1%	5.7%

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

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(S) = Speculative investment;

NR = No rating at this time; and

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http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

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