

## MacroGenics (MGNX)

### 2013 Financial Results and Update

- MGNX finished the year with \$116.5M versus our \$113.5M estimate, and has about \$170M following the recent financing, sufficient, we believe, to support operations through 2017. R&D expenses for 2013 were \$46.6M versus our \$45.7M estimate, and the company guided to higher R&D expenses for 2014, largely due to later stage clinical trials and investments in the pipeline.
- MGNX plans to initiate a global Phase III clinical trial of margetuximab in combination with irinotecan or paclitaxel in the HER2+ (IHC 3+ or IHC2+ with HER2 gene amplification by FISH) refractory gastroesophageal cancer setting in H2:14. The primary outcome will be overall survival, and enrollment is expected to take approximately 3 years.
- The enrollment of the first 21 patients of the Phase IIa study of margetuximab in the relapsed or refractory low HER2 expressing metastatic breast cancer setting (IHC 2+, HER2 gene not amplified by FISH) is estimated to complete by YE:14. If two or more responses are observed, the study will be expanded to a total of 41 patients. MGNX considers five or more partial or complete responses out of the 41 patients to have adequate activity for additional clinical development.
- The first three dose expansion cohorts of the Phase I study of MGA271 (Fc-optimized B7-H3 antibody) in the B7-H3 positive (IHC 2/3+) tumor setting is expected to complete by YE:14, and additional expansion cohorts of MGA271 as monotherapy and combination therapy in other tumors are anticipated to begin in 2014.
- MGD006 (CD123 and CD3 DART) is anticipated to enter clinical trials in Q2:14 in the acute myeloid leukemia setting.
- MGD007 (gpA33 and CD3 DART) is anticipated to enter the clinic in H2:14 potentially in the colorectal cancer setting, and two other preclinical candidates are anticipated to enter the clinic in 2015.
- 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 achievement of our price target include clinical failures and product advancement and development success rates for MGNX's licensees below that for which we have modelled.

March 21, 2014

Price  
**\$38.21**

Rating  
**OUTPERFORM**

12-Month Price Target  
**\$70**

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#### Company Information

Shares Outst (M)	28.8
Market Cap (M)	\$1101.2
52-Wk Range	\$21.50 - \$41.00
Book Value/sh	\$-1.92
Cash/sh	\$5.96
Enterprise Value (M)	\$929.3
LT Debt/Cap %	0.0
Cash Burn (M)	\$57.2

#### Company Description

MacroGenics is developing advanced protein therapeutics for the treatment of cancer, autoimmune, and infectious diseases using their Dual Affinity Re-Targeting (DART), Fc Optimization, and Cancer Stem Cell platforms.



Source: Thomson Reuters

FYE Dec	2012A	2013E			2014E		
REV	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	\$11.4A		N/AA	\$4.0E		\$18.0E
Q2 Jun	--	11.4A		N/AA	4.0E		11.8E
Q3 Sep	--	20.2E		20.2E	4.0E		10.2E
Q4 Dec	--	14.9E	5.0E	12.8E	4.0E		13.5E
Year*	\$63.8A	\$58.0E	\$48.1E	\$55.9E	\$16.0E		\$55.0E
Change	--	-9%			-72%		
EPS	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	(\$0.09)A		N/AA	(\$0.53)E	(\$0.57)E	(\$0.08)E
Q2 Jun	--	(0.09)A		N/AA	(0.52)E	(0.57)E	(0.31)E
Q3 Sep	--	0.31E	0.29E	0.01E	(0.53)E	(0.56)E	(0.38)E
Q4 Dec	--	(0.13)E	(0.47)E	(0.27)E	(0.53)E	(0.56)E	(0.31)E
Year*	\$0.39A	(\$0.02)E	(\$0.53)E	(\$0.22)E	(\$2.11)E	(\$2.25)E	(\$1.08)E
P/E	--	--			--		
Change	--	-104%			-13639%		

Consensus estimates are from Thomson First Call.

\* Numbers may not add up due to rounding.

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3/20/2014  
Ticker: (MGNX:Nasdaq)  
MacroGenics, Inc.

**WEDBUSH**  
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**MacroGenics, Inc (MGNX)**  
*in thousands except per share data*

	2012A	Q1A	Q2A	Q3A	Q4A	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E
<b>Revenues:</b>													
Product Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$268	\$16,541	\$256,575	\$889,203
Royalties	\$0	0	0	0	0	0	0	0	0	96	15,584	63,371	132,347
Milestones and collaboration revenues	\$63,826	11,448	11,448	20,232	14,907	58,035	16,000	20,000	20,000	0	0	0	0
<b>Total Revenues</b>	<b>63,826</b>	<b>11,448</b>	<b>11,448</b>	<b>20,232</b>	<b>14,907</b>	<b>58,035</b>	<b>16,000</b>	<b>20,000</b>	<b>20,000</b>	<b>364</b>	<b>32,124</b>	<b>319,946</b>	<b>1,021,551</b>
<b>Cost and Expenses:</b>													
Cost of Sales	0	0	0	0	0	0	0	0	0	54	3,308	51,315	177,841
R&D	45,433	10,573	10,573	11,088	14,348	46,582	54,000	56,755	61,433	66,497	71,978	79,977	177,841
SG&A	10,188	2,668	2,668	1,987	3,764	11,087	16,624	18,976	22,615	28,752	32,311	82,718	215,570
<b>Total Operating Expenses</b>	<b>55,621</b>	<b>13,241</b>	<b>13,241</b>	<b>13,074</b>	<b>18,112</b>	<b>57,669</b>	<b>70,624</b>	<b>75,730</b>	<b>84,048</b>	<b>95,302</b>	<b>107,597</b>	<b>214,010</b>	<b>571,251</b>
Operating Income (Loss)	8,205	(1,793)	(1,793)	7,158	(3,206)	366	(54,624)	(55,730)	(64,048)	(94,938)	(75,473)	105,936	450,299
Net Interest Income (Expense)/Other Income	157	37	37	(554)	(147)	(627)	(2,585)	(2,593)	(3,742)	(2,873)	(1,226)	(627)	(3,856)
<b>Income Before Income Taxes</b>	<b>8,362</b>	<b>(1,756)</b>	<b>(1,756)</b>	<b>6,604</b>	<b>(3,353)</b>	<b>(261)</b>	<b>(57,209)</b>	<b>(58,323)</b>	<b>(67,791)</b>	<b>(97,812)</b>	<b>(76,699)</b>	<b>105,309</b>	<b>446,443</b>
Provision for Income Taxes	0	0	0	0	0	0	0	0	0	0	0	5,613	73,450
<b>Net Income (Loss)</b>	<b>8,362</b>	<b>(1,756)</b>	<b>(1,756)</b>	<b>6,604</b>	<b>(3,353)</b>	<b>(261)</b>	<b>(57,209)</b>	<b>(58,323)</b>	<b>(67,791)</b>	<b>(97,812)</b>	<b>(76,699)</b>	<b>99,696</b>	<b>372,994</b>
<b>GAAP EPS</b>	<b>0.39</b>	<b>(0.09)</b>	<b>(0.09)</b>	<b>0.31</b>	<b>(0.13)</b>	<b>(0.02)</b>	<b>(2.11)</b>	<b>(2.13)</b>	<b>(2.15)</b>	<b>(3.09)</b>	<b>(2.42)</b>	<b>2.99</b>	<b>11.15</b>
Total Shares Outstanding	17,825	19,270	19,270	19,270	25,020	16,946	27,052	27,420	31,508	31,608	31,708	31,808	31,908
Cash Burn	44,154					(261)	(57,209)	(58,323)	(67,791)	(97,812)	(76,699)	99,696	372,994
Cash Balance	47,743	37,930	33,781	33,569	116,481	116,481	169,041	151,229	199,092	103,663	25,981	106,262	427,537

Source: Wedbush PacGrow Life Sciences

## Analyst Biography

Gregory Wade, Ph.D.

Greg is a Managing Director and joined Wedbush in March 2009 from Pacific Growth Equities where he was a Senior Research Analyst covering emerging Pharmaceutical and Biotechnology companies. He started at Pacific Growth in February 2000 as a Research Associate and became an Analyst in 2004. Prior to Pacific Growth Equities, Greg was a Director in the business development group at ISIS Pharmaceuticals and prior to that was with Procyon BioPharma in London, Canada. While completing his Ph.D. in Physiology at the University of Western Ontario Greg worked as an Associate at the venture capital company Helix Investments Canada where he focused on early stage investments in life science companies.

Greg's team includes Drs. David Nierengarten (Analyst) and Chris Marai (Analyst) and together they cover 40+ companies focused on antibiotics, rare diseases, prostate cancer, hematology/oncology, gastrointestinal disorders, vaccines, biodefense and drug/device combinations.

Greg's Edge: Greg's edge comes from the breadth and duration of his tenure on the sell-side. Coverage of nearly 60 different companies over 14 years provides him with a measured perspective and industry and key opinion leader contacts help to inform his view.

## Analyst Certification

I, Gregory R. Wade, Ph.D., David M. Nierengarten, Ph.D., Christopher N. Marai, Ph.D., certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

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Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

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Rating Distribution (as of December 31, 2013)	Investment Banking Relationships (as of December 31, 2013)
Outperform: 54%	Outperform: 18%
Neutral: 43%	Neutral: 2%
Underperform: 3%	Underperform: 0%

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## Wedbush Equity Research Disclosures as of March 21, 2014

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

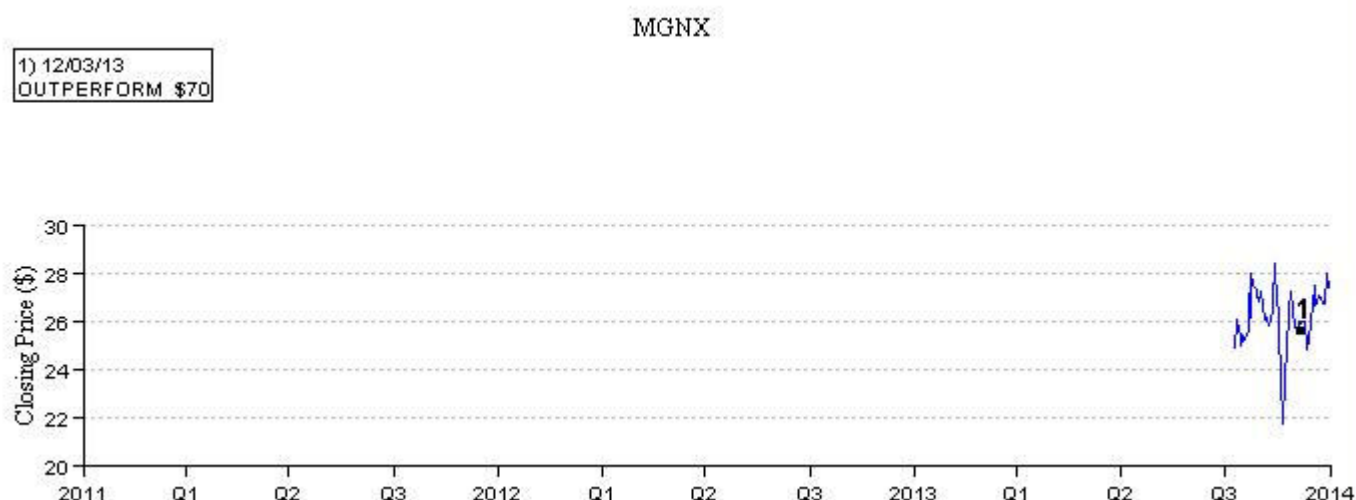
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