

Biotechnology

Onconova Therapeutics, Inc.

(ONTX) - BUY

Price: **\$16.38**
Fair Value Estimate: \$40.00
52-Week Range: \$11.73-\$31.13
Market Cap (MM): \$351
Shr.O/S-Diluted (mm): 21.4
Average Daily Volume: 253,935

FYE: Dec	2011A	2012A	2013E
EPS:	--	\$(11.50)A	\$(5.25)E
Prior EPS:	NC		NC
P/E Ratio:	--	NA	NA

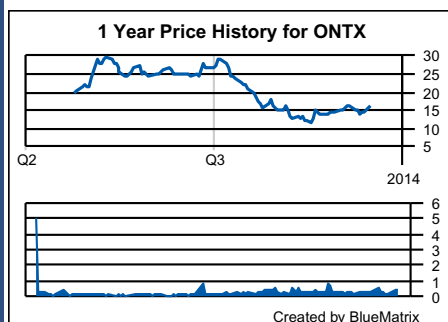
Quarterly EPS:

Q1	--	--	\$(1.03)E
Q2	--	--	\$(5.21)E
Q3	--	--	\$(1.34)E
Q4	--	--	\$(1.02)E

FYE: Dec	2011A	2012A	2013E
Revenue (M):	--	\$46.0A	\$3.9E

Quarterly Revenue (M):

Q1	--	--	\$1.1E
Q2	--	--	\$0.6E
Q3	--	--	\$1.1E
Q4	--	--	\$1.1E



Equity Research
Note

ONTX: Pancreatic Study Outcome Expected; Focus Remains on MDS Data

INVESTMENT CONCLUSION:

ONTX announced the discontinuation of the ONTRAC pancreatic Phase III study based on interim results. We and the Street had low expectations given the high bar set with Abraxane and did not place any value on the pancreatic program. We spoke with management who supported our notion that rigosertib had to show efficacy that was at least equivalent to Abraxane's. We believe investors are mainly focused on the near-term catalyst of Phase III higher-risk MDS data readout, expected in 1Q14. We continue to recommend shares on any weakness and ahead of nearing catalysts and consider ONTX a compelling investment based on a burgeoning pipeline, near-term milestones, strong management team and compelling valuation. Thus, we reiterate our \$40 fair value estimate, which is based on a DCF analysis of cash flows through 2021.

KEY POINTS:

- **Interim pancreatic results lead to study discontinuation...in-line with our and Street expectations.** Based on a planned interim analysis, the Data Safety Monitoring Board (DSMB) determined that rigosertib plus gemcitabine was unlikely to demonstrate a statistically significant improvement in overall survival compared to gemcitabine alone. There were no negative safety signals. The company expects to release the data next year at a medical meeting, which we anticipate could be at ASCO (Chicago; May 30 - June 3, 2014). We had low expectations for the interim analysis given the high hurdle rate from Abraxane (hazard ratio of 0.72).
- **Upcoming catalysts.** We believe investors are mainly focused on Phase III data for rigosertib in the higher-risk myelodysplastic syndrome (MDS) patients, expected in 1Q14. In addition, the company will be hosting an analyst day with a panel of MDS thought leaders on December 19.
- **A highly undervalued opportunity ahead of major events.** We recommend ONTX shares based on rigosertib's compelling profile, meaningful market opportunities, long-term growth prospects, upcoming catalysts, strong management team and favorable valuation.

Research Analyst Certifications and Important Disclosures are on pages 2 - 3 of this report

IMPORTANT DISCLOSURES

Research Analyst Certification

I, Kimberly Lee, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Onconova Therapeutics, Inc. currently is, or during the past 12 months was, a Janney Montgomery Scott LLC client. Janney Montgomery Scott LLC, provided investment banking related services.

Janney Montgomery Scott LLC currently acts as a market-maker in the securities of Onconova Therapeutics, Inc..

Janney Montgomery Scott LLC managed or co-managed a public offering of securities for Onconova Therapeutics, Inc. in the past 12 months.

Janney Montgomery Scott LLC received compensation for investment banking services from Onconova Therapeutics, Inc. in the past 12 months.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Onconova Therapeutics, Inc. in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

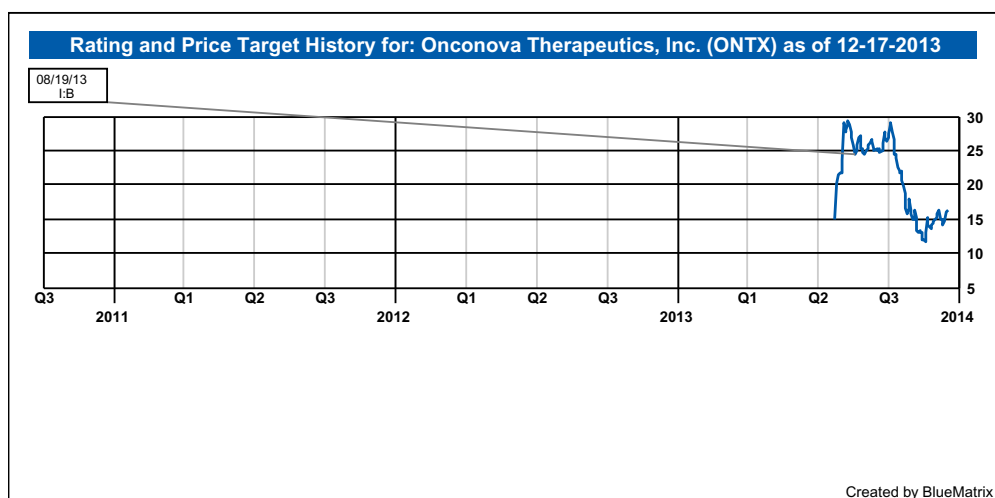
Definition of Ratings

BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL: Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL: Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

Price Charts



Janney Montgomery Scott Ratings Distribution as of 9/30/13

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	244	51.80	38	15.60
NEUTRAL [N]	221	46.90	21	9.50
SELL [S]	6	1.30	0	0.00

***Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.**

Other Disclosures

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