

**Biotechnology**

**Onconova Therapeutics,  
Inc.**

**(ONTX) - BUY**

**Price:** **\$13.07**  
Fair Value Estimate: \$40.00  
52-Week Range: \$12.03-\$31.13  
Market Cap (MM): \$280  
Shr.O/S-Diluted (mm): 21.4  
Average Daily Volume: 171,782

FYE: Dec	2011A	2012A	2013E
EPS:	--	\$(11.50)A	\$(5.25)E
Prior EPS:	NC		\$(3.77)
P/E Ratio:	--	NA	NA

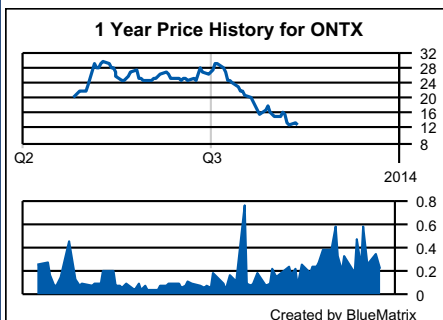
Quarterly EPS:

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*  
**FLASH Note**

**ONTX: Numerous Upcoming Catalysts;  
Reiterate \$40 FV**

**KEY POINTS:**

- **Robust balance sheet.** The company ended 3Q with approximately \$116 million in cash and equivalents, which is enough to sustain operations through 3Q14, per our estimates.
- **Higher-risk MDS program update.** The company completed enrollment of 270 patients in the Phase III ONTIME trial for intravenously administered rigosertib in higher-risk MDS patients who are refractory to hypomethylating agents, and now expects top-line data in December or more likely in 1Q14.
- **Lower-risk MDS program update.** The company expects to present additional data from the ONTARGET study at the upcoming ASH meeting. Enrollment of 60 patients in this study has been reached. A second Phase II trial in low risk erythropoiesis-stimulating agents ESA refractory patients is now enrolling at multiple sites.
- **Pancreatic cancer study program update.** The ONTRAC study completed patient enrollment (n=150) in March 2013 and the company expects the preplanned interim futility and safety analysis will be carried out by the Data Safety Monitoring Committee (DSMBO) next month.
- **We suggest owning shares ahead of value-creating near-term events.** We believe investors are now focused on top-line Phase III rigosertib data release in the high-risk population in December/1Q14. Lastly, we expect interim Phase III pancreatic data release in December followed by trial resizing and a Go/No Go decision in 2014.

**Research Analyst Certifications and Important Disclosures  
are on pages 3 - 4 of this report**

**Onconova Therapeutics (NASDAQ: ONTX)**
**Income Statement**
*(In thousands, except per share data)*

	2011 A	2012 A	For the Quarter Ending				2013 E	2014 E
			3/31/13 A	6/30/13 A	9/30/13 A	12/31/13 E		
Revenue:								
Product Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaboration Revenue	227	45,993	1,116	591	1,116	1,091	3,914	1,050
Grant Revenue	1,260	197	-	-	-	-	-	-
Total Revenue	1,487	46,190	1,116	591	1,116	1,091	3,914	1,050
Cost of Product Sales	-	-	-	-	-	-	-	-
Gross Profit	1,487	46,190	1,116	591	1,116	1,091	3,914	1,050
Cost and Expenses:								
Research and Development	22,624	52,762	12,756	10,047	15,293	16,822	54,918	83,854
General and Administrative	6,436	15,707	3,346	3,117	5,927	6,223	18,613	27,484
Total Costs and Expenses	29,060	68,469	16,102	13,164	21,220	23,046	73,532	111,339
Operating Income (Loss)	(27,573)	(22,279)	(14,986)	(12,573)	(20,104)	(21,955)	(69,618)	(110,289)
Other Income (Expense):								
Interest Income (Expense)	(19)	(8,608)	-	(2)	(1)	35	32	(77)
Other	1,298	975	141	13	16	16	186	64
Loss Before Income Taxes	(26,294)	(29,912)	(14,845)	(12,562)	(20,089)	(21,904)	(69,400)	(110,301)
Income Taxes	-	-	-	-	432	-	432	-
Net Income	(26,294)	(29,912)	(14,845)	(12,562)	(20,521)	(21,904)	(69,832)	(110,301)
Less: Accretion of Redeemable Convertible Preferred	(4,020)	(3,953)	(1,019)	(1,032)	(269)	-	(2,320)	-
Net Income Applicable to Common Stockholders	\$ (30,314)	\$ (33,865)	\$ (15,864)	\$ (13,594)	\$ (20,790)	\$ (21,904)	\$ (72,152)	\$ (110,301)
Basic Earnings Per Share	\$ (10.64)	\$ (11.51)	\$ (1.03)	\$ (5.21)	\$ (1.34)	\$ (1.02)	\$ (5.25)	\$ (5.09)
Diluted Earnings Per Share	\$ (10.64)	\$ (11.51)	\$ (1.03)	\$ (5.21)	\$ (1.34)	\$ (1.02)	\$ (5.25)	\$ (5.09)
Basic Shares Outstanding	2,849	2,942	15,448	2,609	15,480	21,404	13,735	21,654
Diluted Shares Outstanding	2,849	2,942	15,448	2,609	15,480	21,404	13,735	21,654
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	-2.2%	0.0%	-0.6%	0.0%
<b>EBITDA Calculation:</b>								
Loss Before Income Taxes	\$ (26,294)	\$ (29,912)	\$ (14,845)	\$ (12,562)	\$ (20,089)	\$ (21,904)	\$ (69,400)	\$ (110,301)
Less: Interest Income	19	8,608	-	2	1	(35)	(32)	77
Plus: Depreciation & Amortization	316	319	98	109	70	70	347	258
EBITDA	\$ (25,959)	\$ (20,985)	\$ (14,747)	\$ (12,451)	\$ (20,018)	\$ (21,868)	\$ (69,084)	\$ (109,967)
<b>Margins:</b>								
Gross	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Net Income (Loss)	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
EBITDA	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
<b>Year-over-year Growth:</b>								
Total Revenue		3006.3%	463.6%	354.6%	-97.4%	-66.1%	-91.5%	-73.2%
Operating Income		N/M	N/M	-9771.5%	-147.3%	-781.8%	N/M	N/M
Net Income (Loss)		N/M	N/M	-10556.9%	-148.9%	-780.3%	N/M	N/M
Research and Development Expense		133.2%	51.0%	N/M	N/M	N/M	4.1%	52.7%
General and Administrative Expense		144.0%	36.0%	N/M	N/M	N/M	18.5%	47.7%

Source: Company reports and Janney Montgomery Scott LLC estimates

## **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.

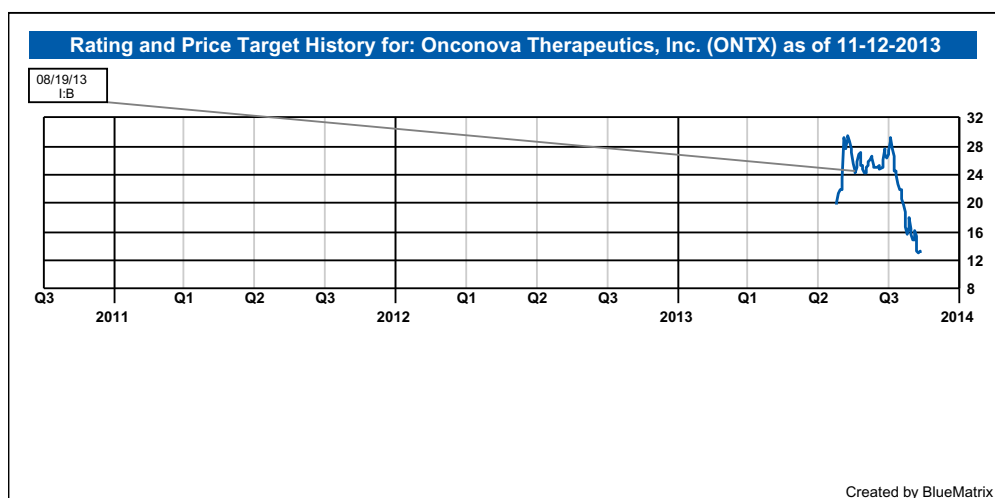
### **Definition of Ratings**

**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**



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### **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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