

# OncoMed Pharmaceuticals

(OMED-NASDAQ)

**Stock Rating:** Outperform  
**Stock Price:** US\$21.00  
**Target Price:** US\$43.00

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Biotechnology

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## Cancer Stem Cell Pipeline Advances With ALPINE Initiation

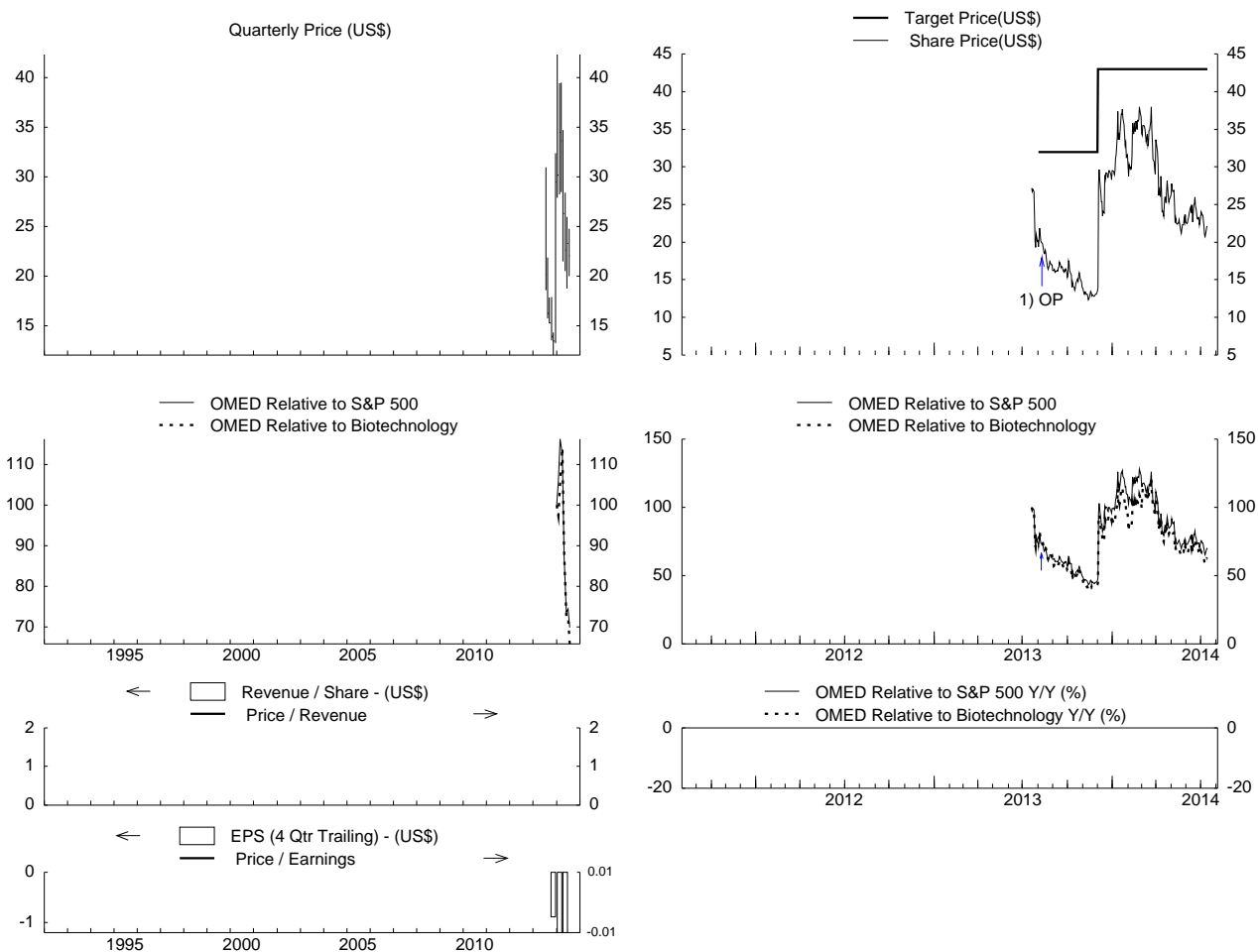
OncoMed announced today that patient dosing has begun in the randomized phase 2 portion of the phase 1b/2 ALPINE trial of tarextumab (anti-Notch 2/3, OMP-59R5) in first line stage IV pancreatic cancer. The phase 2 portion of the ALPINE trial is designed to enroll 124 patients. In the phase 2 portion, patients will be randomized to 15 mg/kg tarextumab administered every two weeks + ABRAXANE + gemcitabine or placebo + ABRAXANE + gemcitabine. The primary endpoint is PFS, which will be evaluated in the Notch 3 high expression patients (predictive biomarker) as well as in all patients. The phase 1b safety portion of the study has completed enrollment; in data presented in January 2014 at the ASCO GI meeting, OMP-59R5 + ABRAXANE + gemcitabine demonstrated a partial response (PR) rate of 46% and a stable disease (SD) rate of 31% in 13 evaluable patients.

### Our View:

- While small patient numbers in the phase 1b study may limit generalizability of data we believe that a 46% overall response rate (ORR) and 77% disease control rate (DCR) is well beyond activity observed in similarly small phase 1/2 studies.
- We continue to expect more durable responses with targeting of cancer stem populations and believe that optimization of patient targeting through Notch 3 expression will further increase the likelihood of success in ALPINE.

Please refer to pages 2 to 5 for Important Disclosures, 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 %
2013	-1.93	na na	0.00	0.0 0.0	0	4.0	8.1 3.0	
Range*		na na		0.0 0.0			8.1 3.0	
Current*	-1.20	na	0.00	0.0	0	3.6	6.4	na

OMED - Rating as of 17-Jul-13 = NR

Date	Rating Change	Share Price
1 8-Aug-13	NR to OP	\$19.88

\* Current EPS is the 4 Quarter Trailing to Q1/2014.  
 \* Valuation metrics are based on high and low for the fiscal year.  
 \* Range indicates the valuation range for the period presented above.

Last Price ( July 14, 2014): \$22.05  
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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**Methodology and Risks to Price Target/Valuation**

**Methodology:** We arrive at our price target by applying a 20x multiple to our 2020 GAAP EPS estimate of \$6.01 and discounting at 25%.

**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 (June 30, 2014)**

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	44.1%	21.1%	67.5%	43.3%	58.6%	55.4%
Hold	Market Perform	50.9%	8.4%	31.3%	51.2%	39.9%	39.5%
Sell	Underperform	5.0%	3.4%	1.3%	5.5%	1.5%	5.1%

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

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OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis

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Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis on a total return basis

(S) = speculative investment;

NR = No rating at this time;

R = Restricted – Dissemination of research is currently restricted.

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