

May 5, 2014

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## MacroGenics (MGNX - OUTPERFORM): MGNX Presented Pre-clinical Data of MGD010

Price: \$20.16

12-Month Price Target: \$70

- **At the American Association of Immunologists' Annual Meeting (Pittsburgh, PA), MGNX presented pre-clinical data showing MGD010, their wholly-owned Dual-Affinity Re-targeting (DART) protein, inhibited B-cell activation without depleting B-cells, inhibited the development of graft-versus host disease, and had favorable pharmacokinetics and safety.** MGD010 was designed to inhibit B-cell activation without killing B-cells through simultaneously targeting CD32B, a negative regulator of B cells expressed on B cells and myeloid dendritic cells, and CD79B, a component of the B-cell antigen. MGD010's differentiating characteristic is its ability of only inhibiting the activated B cells through targeting CD32B, a receptor that requires being coupled with an activated receptor such as CD79B to elicit its inhibitory activity. Given this characteristic, MGD010 presents itself as a potential protein therapeutic for autoimmune diseases. The company presented data that showed MGD010 inhibited calcium mobilization at 20 µg/ml and inhibited B-cell proliferation in a dose-dependent manner in human B-cells. Additionally, the company presented data that showed MGD010 inhibited proliferation of B-cells from patients with systemic lupus erythematosus *ex vivo* and prevented graft versus host-like disease in a humanized mouse model. MGD010 has been found to have an average beta half-life of 142 hours and a mean residence time of 266 hours. These data demonstrate the versatility of their DART platform in being able to finely modulate/tune the immune system.
- **MGNX will be hosting their Q1:14 results conference call tomorrow, May 6, 2014 at 4:30 pm (EDT).** The conference can be accessed at (877)303-6253 (domestic) or (973)409-9610 (international) with the passcode 35495095.
- **MGNX expects to initiate a Phase I study of MGD007 in H2:14 in the colorectal cancer setting.** Under the Servier agreement, MGNX will receive a \$5M milestone payment from Servier upon IND acceptance of MGD007. Additionally, the Phase 2 and 3 clinical trial costs will be shared between Servier and MGNX. MGNX retains the commercial rights in North America, Japan, Korea, and India, while Servier has the rights for all remaining territories. MGNX will receive low-double-digit to mid-teen royalties of MGD007 sales from Servier.
- **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.**
- **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.**

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

### Research Disclosure Legend

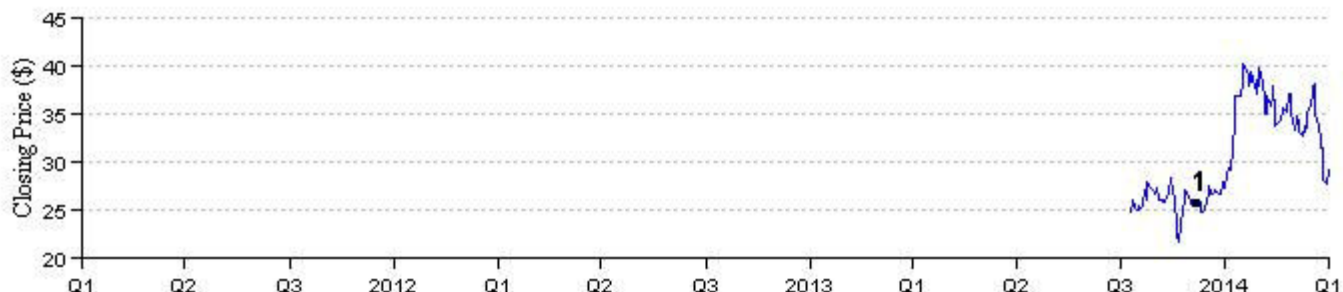
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MGNX

1) 12/03/13  
OUTPERFORM \$70



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