

Biotechnology

Onconova Therapeutics, Inc.

(ONTX) - NEUTRAL

Price: **\$7.30**
Fair Value Estimate: \$10.00
52-Week Range: \$7.02-\$31.13
Market Cap (MM): \$156
Shr.O/S-Diluted (mm): 21.4
Average Daily Volume: 381,089

FYE: Dec	2011A	2012A	2013E
EPS:	--	\$(11.50)A	\$(4.72)E
Prior EPS:	NC		\$(5.25)
P/E:	--	NA	NA

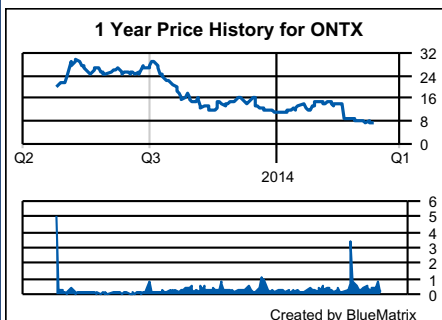
Quarterly EPS:

Q1	--	--	\$(1.03)E
Q2	--	--	\$(5.21)E
Q3	--	--	\$(1.34)E
Q4	--	--	\$(0.68)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



ONTX: Update Post 4Q

KEY POINTS:

- **Cash inflows needed by year-end.** The company ended 4Q with approximately \$100 million in cash and equivalents, which is enough to sustain operations through 4Q14, per our estimates.
- **Higher-risk MDS program update.** The company is requesting a Type A meeting with the FDA to discuss the ONTIME results and to gain regulatory clarity for the program. At the same time, ONTX plans to hold similar discussions with the EMA. The company also expects to present the ONTIME data at the upcoming ASCO conference in June.
- **Lower-risk MDS program update.** Recently, the company met with the FDA and received guidance on further development of oral rigosertib for erythropoiesis-stimulating agent (ESA) refractory transfusion-dependent lower risk MDS patients. The company intends to initiate a Phase III double-blind, placebo-controlled study under an SPA in 2H. In front-line therapy, ONTX is running a 40-patient Phase I/II study to examine combination use with azacitadine. There are currently 7 patients enrolled. The company expects to provide updates on this study in 2H.
- **Our outlook remains neutral. Reiterate \$10 fair value estimate.** We suggest staying on the sidelines until we gain clarity on the development and regulatory pathway in the higher- and lower-risk MDS population.

Equity Research
FLASH Note

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 A	For the Quarter Ending				2014 E
			3/31/13 A	6/30/13 A	9/30/13 A	12/31/13 A		3/31/14 E	6/30/14 E	9/30/14 E	12/31/14 E	
Revenue:												
Product Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaboration Revenue	227	45,993	1,116	591	1,116	1,930	4,753	711	113	113	113	1,050
Grant Revenue	1,260	197	-	-	-	-	-	-	-	-	-	-
Total Revenue	1,487	46,190	1,116	591	1,116	1,930	4,753	711	113	113	113	1,050
Cost of Product Sales	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	1,487	46,190	1,116	591	1,116	1,930	4,753	711	113	113	113	1,050
Cost and Expenses:												
Research and Development	22,624	52,762	12,756	10,047	15,293	12,086	50,182	13,174	14,359	15,652	17,060	60,245
General and Administrative	6,436	15,707	3,346	3,117	5,927	4,403	16,793	4,579	4,762	4,953	5,151	19,445
Total Costs and Expenses	29,060	68,469	16,102	13,164	21,220	16,489	66,975	17,753	19,122	20,604	22,211	79,690
Operating Income (Loss)	(27,573)	(22,279)	(14,986)	(12,573)	(20,104)	(14,559)	(62,222)	(17,042)	(19,009)	(20,491)	(22,098)	(78,640)
Other Income (Expense):												
Interest Income (Expense)	(19)	(8,608)	-	(2)	(1)	(1)	(4)	30	24	18	11	84
Other	1,298	975	141	13	16	(65)	105	(65)	(65)	(65)	(65)	(260)
Loss Before Income Taxes	(26,294)	(29,912)	(14,845)	(12,562)	(20,089)	(14,625)	(62,121)	(17,077)	(19,049)	(20,538)	(22,152)	(78,816)
Income Taxes	-	-	-	-	432	3	435	-	-	-	-	-
Net Income	(26,294)	(29,912)	(14,845)	(12,562)	(20,521)	(14,628)	(62,556)	(17,077)	(19,049)	(20,538)	(22,152)	(78,816)
Less: Accretion of Redeemable Convertible Preferred	(4,020)	(3,953)	(1,019)	(1,032)	(269)	13	(2,307)	-	-	-	-	-
Net Income Applicable to Common Stockholders	\$ (30,314)	\$ (33,865)	\$ (15,864)	\$ (13,594)	\$ (20,790)	\$ (14,615)	\$ (64,863)	\$ (17,077)	\$ (19,049)	\$ (20,538)	\$ (22,152)	\$ (78,816)
Basic Earnings Per Share	\$ (10.64)	\$ (11.51)	\$ (1.03)	\$ (5.21)	\$ (1.34)	\$ (0.68)	\$ (4.72)	\$ (0.79)	\$ (0.88)	\$ (0.95)	\$ (1.02)	\$ (3.64)
Diluted Earnings Per Share	\$ (10.64)	\$ (11.51)	\$ (1.03)	\$ (5.21)	\$ (1.34)	\$ (0.68)	\$ (4.72)	\$ (0.79)	\$ (0.88)	\$ (0.95)	\$ (1.02)	\$ (3.64)
Basic Shares Outstanding	2,849	2,942	15,448	2,609	15,480	21,419	13,739	21,519	21,619	21,719	21,819	21,669
Diluted Shares Outstanding	2,849	2,942	15,448	2,609	15,480	21,419	13,739	21,519	21,619	21,719	21,819	21,669
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	-2.2%	0.0%	-0.7%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA Calculation:												
Loss Before Income Taxes	\$ (26,294)	\$ (29,912)	\$ (14,845)	\$ (12,562)	\$ (20,089)	\$ (14,625)	\$ (62,121)	\$ (17,077)	\$ (19,049)	\$ (20,538)	\$ (22,152)	\$ (78,816)
Less: Interest Income	19	8,608	-	2	1	1	4	(30)	(24)	(18)	(11)	(84)
Plus: Depreciation & Amortization	316	319	98	109	70	70	347	69	66	63	60	258
EBITDA	\$ (25,959)	\$ (20,985)	\$ (14,747)	\$ (12,451)	\$ (20,018)	\$ (14,554)	\$ (61,770)	\$ (17,038)	\$ (19,008)	\$ (20,494)	\$ (22,103)	\$ (78,643)
Margins:												
Gross	100.0%	100.0%	100.0%	100.0%	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	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	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	N/M	N/M	N/M	N/M
Year-over-year Growth:												
Total Revenue		3006.3%	463.6%	354.6%	-97.4%	-40.1%	-89.7%	-36.3%	-80.9%	-89.9%	-94.1%	-77.9%
Operating Income		N/M	N/M	-9771.5%	-147.3%	-552.1%	N/M	N/M	N/M	N/M	N/M	N/M
Net Income (Loss)		N/M	N/M	-10556.9%	-148.9%	-553.9%	N/M	N/M	N/M	N/M	N/M	N/M
Research and Development Expense		133.2%	51.0%	N/M	N/M	N/M	-4.9%	3.3%	42.9%	2.3%	41.2%	20.1%
General and Administrative Expense		144.0%	36.0%	N/M	N/M	N/M	6.9%	36.9%	52.8%	-16.4%	17.0%	15.8%

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.

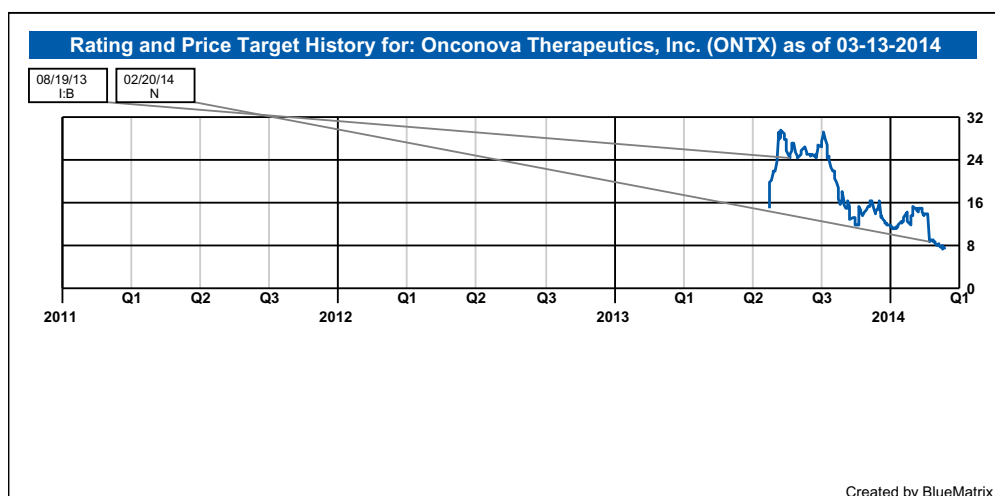
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BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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 12/31/13

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	247	53.00	30	12.10
NEUTRAL [N]	211	45.50	13	6.20
SELL [S]	7	1.50	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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