

OncoMed Pharmaceuticals, Inc. (OMED)

Overweight

New Patent for Ipafricept, Still on Partial Clinical Hold; Reiterate Overweight

CONCLUSION

OncoMed has been granted a new composition of matter patent U.S. #8,324,361 for FZD-Fc soluble receptors and the drug ipafricept (OMP-54F28). The company now has 3 issued patents relating to this target including U.S. #7,723,477 and U.S. #8,324,361. Ipafricept and vanticumab were recently placed on a partial clinical hold due to bone related AEs until additional data and revised protocols have been submitted and reviewed by the FDA. Ipafricept is partnered with Bayer. We reiterate our Overweight rating and \$43 price target.

- **New Ipafricept Patent.** This morning, OncoMed was granted a composition of matter patent U.S. #8,324,361 for FZD-Fc soluble receptors. This patent specifically relates to the drug ipafricept (OMP-54F28), which is also covered by 2 additional patents U.S. #7,723,477 and U.S. #8,324,361. Ipafricept is partnered with Bayer.
- **Ipafricept & Vanticumab on Partial Clinical Hold.** Recently, the FDA placed both vanticumab and ipafricept on a partial clinical hold following OncoMed's decision to voluntarily halt clinical trials of both drugs due to bone related AEs. The partial clinical hold will remain in place until additional data and revised clinical trial protocols have been submitted and reviewed by the agency. The company is making protocol modifications including lower doses, less frequent dosing, increased monitoring, increased emphasis on bone protection and an adjustment of enrollment criteria likely to exclude patients who are at greatest risk.
- **Key Upcoming Milestones.** We view OncoMed's other drugs in development including demcizumab (Celgene option) and OMP-59R5 (partnered with GSK) as more advanced and greater value drives with multiple data read-outs in 2H:14. OncoMed expects to initiate the Phase II portions of the ALPINE and PINNACLE trials that examine OMP-59R5 (Anti-Notch2/3) in pancreatic cancer and small cell lung cancer. The company will also initiate 2 Phase II studies looking at demcizumab in pancreatic and non-small cell lung cancer (NSCLC). The company plans to have data presentations at upcoming medical conferences including ESMO, the EORTC-NCI-AACR meeting and the San Antonio Breast Cancer Symposium in 2H:14.

RISKS TO ACHIEVEMENT OF PRICE TARGET

Cancer is a competitive space. Demcizumab or OncoMed's other antibodies may fail in the clinic. OncoMed may not sign new partnerships and will likely require future cash.

COMPANY DESCRIPTION

OncoMed is developing therapeutic antibodies to treat cancer.

PRICE: US\$24.00

TARGET: US\$43.00

Proj EV of \$1.05B + YE:14E cash

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Changes	Previous	Current
Rating	—	Overweight
Price Tgt	—	US\$43.00
FY14E Rev (mil)	—	US\$60.8
FY15E Rev (mil)	—	US\$57.8
FY14E EPS	—	US\$(1.00)
FY15E EPS	—	US\$(1.02)

52-Week High / Low US\$42.34 / US\$12.07
Shares Out (mil) 29.6

Source: Form 10K as of March 11, 2014

Market Cap. (mil)	US\$710.4
Avg Daily Vol (ooo)	180
Book Value/Share	US\$3.58
Net Cash Per Share	US\$9.61
Debt to Total Capital	0%
Div (ann)	NA
Fiscal Year End	Dec

Price Performance - 1 Year



Source: Bloomberg

YEAR	REVENUE (US\$ m)						EARNINGS PER SHARE (US\$)					
	Mar	Jun	Sep	Dec	FY	FY RM	Mar	Jun	Sep	Dec	FY	FY P/E
2013A	2.9	2.9	12.9	19.0	37.8	18.8x	(0.39)	(0.41)	(0.15)	(0.08)	(0.85)	NM
2014E	6.0A	28.9	3.9	21.9	60.8	11.7x	(0.47)A	0.22	(0.65)	(0.10)	(1.00)	NM
2015E	—	—	—	—	57.8	12.3x	—	—	—	—	(1.02)	NM

2013 qtrly EPS does not add to annual b/c of IPO

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OncoMed Pharmaceuticals, Inc.
Quarterly Earnings Estimates
(\$ in thousands, except per share data)

May 8, 2014

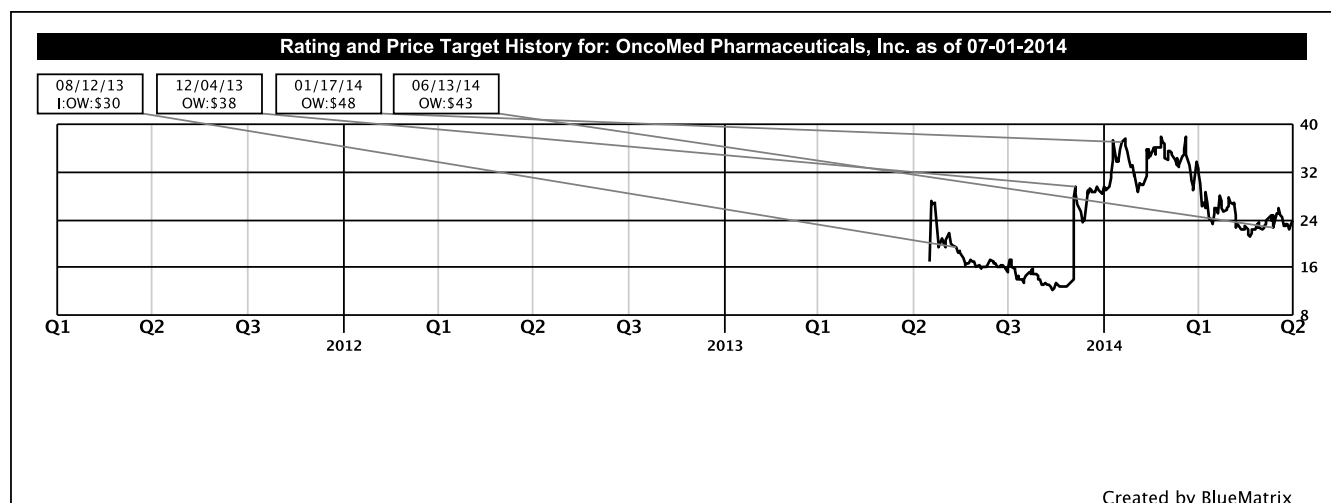
	<u>2012A</u>	<u>1QA</u>	<u>2QA</u>	<u>3QA</u>	<u>4QA</u>	<u>2013A</u>	<u>1QA</u>	<u>2QE</u>	<u>3QE</u>	<u>4QE</u>	<u>2014E</u>	<u>2015E</u>
Revenues:												
Collaborative R&D	\$24,659	\$2,932	\$2,932	\$12,932	\$18,983	\$37,778	\$6,015	\$28,932	\$3,932	\$21,932	\$60,810	\$57,756
Grants	22	0	0	0	0	0	0	0	0	0	0	0
Total Revenues	\$24,681	\$2,932	\$2,932	\$12,932	\$18,983	\$37,778	\$6,015	\$28,932	\$3,932	\$21,932	\$60,810	\$57,756
Operating Expenses:												
Research and Development	\$39,893	\$9,576	\$10,475	\$13,126	\$16,871	\$50,048	\$16,709	\$18,000	\$19,000	\$20,000	\$73,709	\$70,000
General and Administrative	7,157	1,985	1,952	3,175	4,518	11,630	3,213	4,500	4,500	5,000	17,213	20,000
Total Operating Expenses	\$47,050	\$11,561	\$12,427	\$16,301	\$21,389	\$61,678	\$19,922	\$22,500	\$23,500	\$25,000	\$90,922	\$90,000
Operating Loss	(\$22,369)	(\$8,630)	(\$9,496)	(\$3,369)	(\$2,406)	(\$23,900)	(\$13,907)	\$6,432	(\$19,569)	(\$3,069)	(\$30,113)	(\$32,244)
Operating Margin	NM	NM	NM	NM	NM	NM	NM	22.2%	NM	NM	NM	NM
Total Other Income/(Expense)	\$134	\$31	(\$149)	(\$117)	\$7	(\$228)	\$36	\$45	\$40	\$35	\$156	\$100
Pretax Loss	(\$22,235)	(\$8,599)	(\$9,645)	(\$3,486)	(\$2,399)	(\$24,128)	(\$13,871)	\$6,477	(\$19,529)	(\$3,034)	(\$29,957)	(\$32,144)
Pretax Margin	NM	NM	NM	NM	NM	NM	NM	22.4%	NM	NM	NM	NM
Income Tax/(Benefit)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Net Loss	(\$22,235)	(\$8,599)	(\$9,645)	(\$3,486)	(\$2,399)	(\$24,128)	(\$13,871)	\$6,477	(\$19,529)	(\$3,034)	(\$29,957)	(\$32,144)
Pretax Margin	NM	NM	NM	NM	NM	NM	NM	22.4%	NM	NM	NM	NM
Net Loss per Share	(\$1.00)	(\$0.39)	(\$0.41)	(\$0.15)	(\$0.08)	(\$0.85)	(\$0.47)	\$0.22	(\$0.65)	(\$0.10)	(\$1.00)	(\$1.02)
Shares Outstanding	22,224	22,265	23,763	23,179	28,361	28,361	29,443	29,750	30,250	30,500	29,986	31,500

Source: Company reports and Piper Jaffray & Co. analysis.

Current disclosure information for this company can be found at <http://www.piperjaffray.com/researchdisclosures>.

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Legend:

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R: Resuming Coverage
T: Transferring Coverage
D: Discontinuing Coverage
S: Suspending Coverage
OW: Overweight
N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

Distribution of Ratings/IB Services Piper Jaffray				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	356	62.02	87	24.44
HOLD [N]	204	35.54	22	10.78
SELL [UW]	14	2.44	0	0.00

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Analyst Certification — Edward A. Tenthoff, Sr Research Analyst
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