Acceleron Pharma Inc. (XLRN) — Overweight

Highlights from the 25th Annual Piper Jaffray Healthcare Conference

CONCLUSION

Acceleron presented at the 2013 Piper Jaffray Healthcare Conference providing an update on its clinical programs. Acceleron has completed enrollment of the Phase I portion of the dalantercept + axitinib combo study in kidney cancer and intends to begin the randomized Phase II portion in 2Q:14. Acceleron is accelerating initiation of the next combination trial of dalantercept + Nexavar in liver cancer ahead of schedule in 1H:14. Acceleron's partner Celgene will report interim data on the 0.5mg/kg sotatercept cohort in Beta-thalassemia at the American Society of Hematology (ASH) meeting next Monday 12/9 and is exploring new potential indications including Sickle Cell Disease (SCD). The company ended 3Q:13 with $116.5 million in cash, which should fund operations into 2H:15. We are reiterate our Overweight rating and $32 price target.

- **Dalantercept Progress.** Acceleron has completed enrollment of the Phase I portion of the dalantercept + axitinib combo study in kidney cancer with data likely at ASCO next June. The company intends to begin the randomized Phase II portion of the RCC study in 2Q:14. Acceleron is accelerating initiation of the next combination trial of dalantercept + Nexavar in liver cancer ahead of schedule in 1H:14. While most investors are focused on the anemia franchise and the Celgene deal, we are more interested in wholly owned dalantercept.

- **Sotatercept Update at ASH.** Next Monday 12/9, Acceleron and partner Celgene will present additional interim data on the 0.5mg/kg sotatercept cohort from the Phase II dose escalation trial in beta-thalassemia. Previously the company had released dose proportional data from the 0.1mg/kg and 0.3mg/kg doses and has begun enrollment of a 0.75mg/kg sotatercept dose cohort. ACE-536 is also in Phase II trials in Beta-Thalassemia and MDS with substantive data expected at the European Hematology Association (EHA) meeting next June. We anticipate Celgene will begin Phase III trials of sotatercept and/or ACE-536 in either indication in late 2014 or early 2015. The partners are now exploring additional indication for sotatercept including potentially Sickle Cell Disease.

- **Validating Partnership with Celgene.** Acceleron has partnered both anemia drugs sotatercept and ACE-536 with Celgene, who is responsible for 100% of development cost going forward. Importantly, Acceleron retains co-promote rights for both drugs in North America and is eligible for low-to-mid 20% royalties.

** Price as of the close December 3, 2013*

COMPANY DESCRIPTION

Acceleron is developing novel drugs for hematology and cancer.

PRICE: US$23.28
TARGET: US$32.00
Proj. EV of $875M + YE:14E net cash

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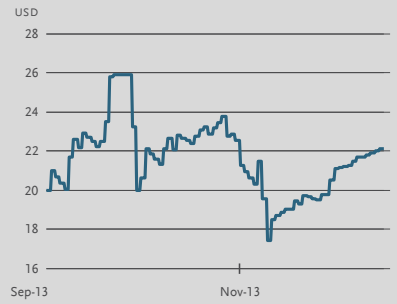
Related Companies:	Share Price:
XLRN	23.28

RISKS TO ACHIEVEMENT OF PRICE TARGET

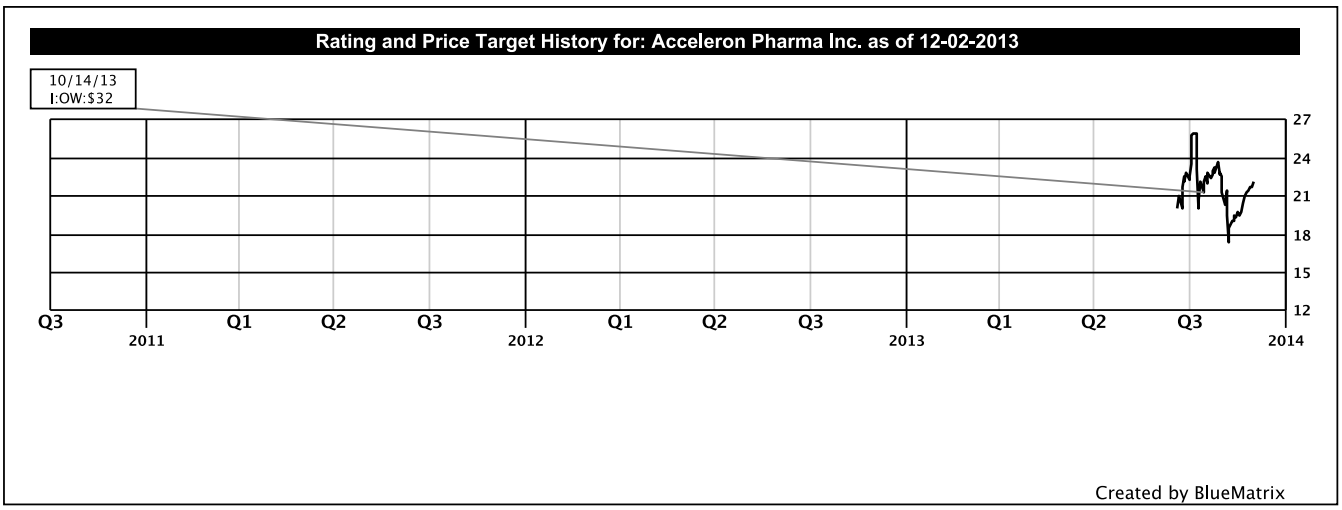
Sotatercept, ACE-536 and/or dalantercept may fail in the clinic or to gain regulatory approval. The Celgene partnership may falter. Acceleron may require additional capital or could face future unforeseen litigation.

Price Performance - 1 Year



Source: Bloomberg

IMPORTANT RESEARCH DISCLOSURES



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:
I: Initiating Coverage
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

			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OW]	352	57.61	73	20.74
HOLD [N]	235	38.46	16	6.81
SELL [UW]	24	3.93	1	4.17

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

Analyst Certification — Edward A. Tenthoff, Sr Research Analyst

The views expressed in this report accurately reflect my personal views about the subject company and the subject security. In addition, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

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- **Underweight (UW):** Anticipated to underperform relative to the median of the group of stocks covered by the analyst.

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