

Biotechnology

Price:	\$12.26
Fair Value Estimate:	\$18.00
52-Week Range:	\$9.67 - \$30.00
Market Cap (MM):	\$274
Shr.O/S-Diluted (mm):	22.4
Average Daily Volume:	124,099
Book Value:	\$4.80
Yield:	0.0%
Cash/Share:	\$(3.55)
FCF Yield:	NA
Debt/Cap:	0%

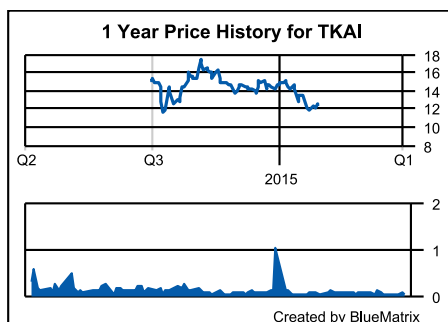
FYE: Dec	2013A	2014E	2015E
EPS:	\$(1.29)A	\$(1.38)E	\$(1.65)E
Prior EPS:		NC	NC
Consensus	NM	NM	-2.99

Quarterly EPS:

Q1	--	--	\$(0.40)E
Q2	--	--	\$(0.41)E
Q3	--	\$(0.39)A	\$(0.42)E
Q4	--	\$(0.31)E	\$(0.43)E

Quarterly Revenue (M):

Q1	\$0A	\$0A	\$0E
Q2	\$0A	\$0A	\$0E
Q3	\$0A	\$0A	\$0E
Q4	\$0A	\$0E	\$0E
Year:	\$0A	\$0E	\$0E



February 2, 2015

Tokai Pharmaceuticals, Inc.

(TKAI) - BUY

ARMOR3-SV Phase III Trial On Target For 1H:2015 Initiation

PORTFOLIO MANAGER BRIEF

Since January 12, when Tokai announced that they had partnered to develop a companion diagnostic for use in the Phase III CRPC trial, the stock has declined 18%. The challenged performance is linked to a perception that this timing might equate to a potential delay of the initiation of the Phase III trial beyond the 1H:2015 expectation. Considering that the selection of the companion diagnostic was anticipated and on schedule, the concerns for a delay are unwarranted in our view. We maintain our Buy rating and \$18 fair value estimate.

ANALYST NOTES

- **Recent Weakness Offers Opportunity.** Since the second week of January, Tokai shares have been under pressure. The weakness seems to be attributable to the recent announcement for the Johns Hopkins partnership with respect to the companion diagnostic that is to be used in the ARMOR3-SV Phase III trial, with some believing the timing suggests a delay in the trial's initiation beyond the original expectation of 1H:2015. These concerns are unwarranted in our view as the nature and timing of the announcement was in line with our expectation. The company and its clinical partner Quintiles continue to have the trial on track to begin in the first half of this year.
- **Johns Hopkins Selected As Partner For Diagnostic.** On January 12, Tokai Pharmaceuticals announced that they entered into an agreement with Johns Hopkins University regarding the development of a diagnostic that will determine the AR-V7 status of patients with castration-resistant prostate cancer (CRPC). As part of the agreement, Tokai acquired the exclusive worldwide rights to utilize the assay. The companion diagnostic would be used in conjunction with the company's drug candidate galeterone, which is being developed to treat CRPC patients who are AR-V7 positive. The timing of this announcement was in line with our expectation.
- **Diagnostic Essential Component of Phase III Program.** The ARMOR3-SV Phase III clinical trial is being designed to investigate galeterone in C-terminal loss CRPC patients. As part of this trial--which will begin in 1H:2015--a companion diagnostic is used to detect the AR-V7 variant patients. The Johns Hopkins assay utilizes a blood draw followed by CTC isolation and RT-PCR AR-V7 determination. Selecting this diagnostic is a key milestone that enables them to proceed with the study.

- Galeterone Could Have Advantage In C-Terminal Loss Patients. AR-V7 variant patients come from a category of CRPC patients who have C-terminal loss at the end of the ligand binding domain of the androgen receptor (AR). CRPC patients with C-terminal loss are not effectively treated with currently approved therapies, including Zytiga (abiraterone acetate) and Xtandi (enzalutamide). Phase II data from the ARMOR2 trial showed a benefit for the drug in these patients, pointing toward potential for the Phase III ARMOR3-SV trial.

Company Description

Tokai Pharmaceuticals biopharmaceutical company, focuses on developing novel proprietary therapies for the treatment of prostate cancer and other hormonally-driven diseases. Its lead drug candidate includes galeterone, an oral small molecule drug candidate, which is about to enter a Phase III clinical study for the treatment of castration resistant prostate cancer.

IMPORTANT DISCLOSURES

Research Analyst Certification

I, David Lebowitz, 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

Tokai Pharmaceuticals, 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 managed or co-managed a public offering of securities for Tokai Pharmaceuticals, Inc. in the past 12 months.

Janney Montgomery Scott LLC received compensation for investment banking services from Tokai Pharmaceuticals, Inc. in the past 12 months.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Tokai Pharmaceuticals, 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.

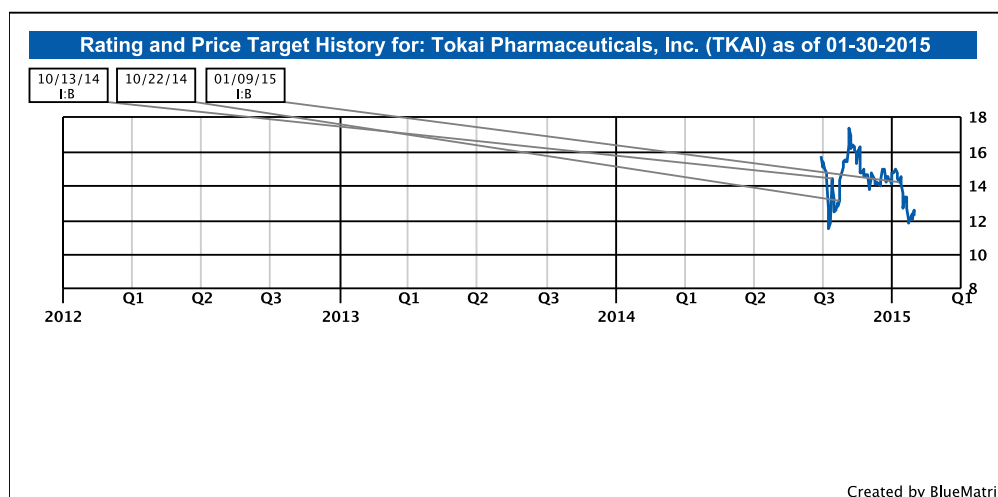
Definition of Ratings

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 12/31/14

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	138	51.30	15	10.87

NEUTRAL [N]	131	48.70	5	3.82
SELL [S]	0	0.00	0	0.00

*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

Other Disclosures

Janney Montgomery Scott LLC, is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

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