Versartis

VSAR : NASDAQ : US$20.01

Buy | US$45.00 Target

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TAKEAWAYS FROM CANACCORD GENUITY GLOBAL GROWTH CONFERENCE

Investment recommendation

Versartis presented this morning at the 34th annual Canaccord Genuity Global Growth Conference.

Highlights

- Await FDA meeting Q3 for Phase 3 design, may focus on higher semi-monthly dose.
- Versartis to meet with FDA in Q3/14 to discuss Phase 2a results and Phase 3 design, which might focus on a higher semi-monthly dose. We expect an update in October/early November. Versartis has increased the dose in the extension study, which should allow higher dosing in Phase 3.
- 95% of Phase 2a patients rolled into extension, will provide 12-month height velocity data.
- Nearly all Phase 2a patients continued in the extension study, signaling a very positive efficacy and safety experience. Versartis will continue to follow patients to obtain 12 month height velocity data.
- Additional endocrine product expected 2015
- Versartis may disclose a new product, focused on an endocrine disorder during 2015. No details have yet been disclosed, but the company has done work in the past on many molecules, including glucagon, teduglitide, and others.

Valuation

Our $45 target is based on a probability-adjusted net present value analysis.

Investment risks

Primary risks to our rating and price target include the following: VRS-317 may not produce positive Phase 2a data at its six-month readout for monthly, semi-monthly, or weekly dosing, even if positive data is produced Phase 3 data may not be positive and the FDA may not approve VRS-317 for any indication, future litigation may delay or reduce revenues, and increased competition may reduce revenues below our current estimates.

VRS-317 may not show positive Phase 2a data at its six-month readout in June 2014, and even if it does, weekly or semi-monthly dosing may prove to be a more viable treatment option. If dosing is reduced from a monthly treatment to semi-monthly or weekly, VRS-317's competitive advantage versus current and future competitors will be reduced. We see the strength of VRS-317 in its monthly dosing and do not believe patients and doctors will view a semi-monthly treatment option as a very meaningful difference from weekly dosing, should currently in development products be approved.

Litigation from Novo, Roche, or Pfizer may delay VRS-317's entry onto the market, assuming positive data and FDA approval. Depending on the extent of the delay, revenues may be greatly reduced and future cash flows diminished as we expect Versartis' VRS-317 patents will expire in 2030.

Future competition in the growth hormone market may increase, lowering estimated market share for VRS-317 and reducing revenues for Versartis. Should another long-acting growth hormone product be introduced, we expect revenues could be negatively impacted. Growth hormone treatment is a field dominated by several players and new entrants could result in strong competition.

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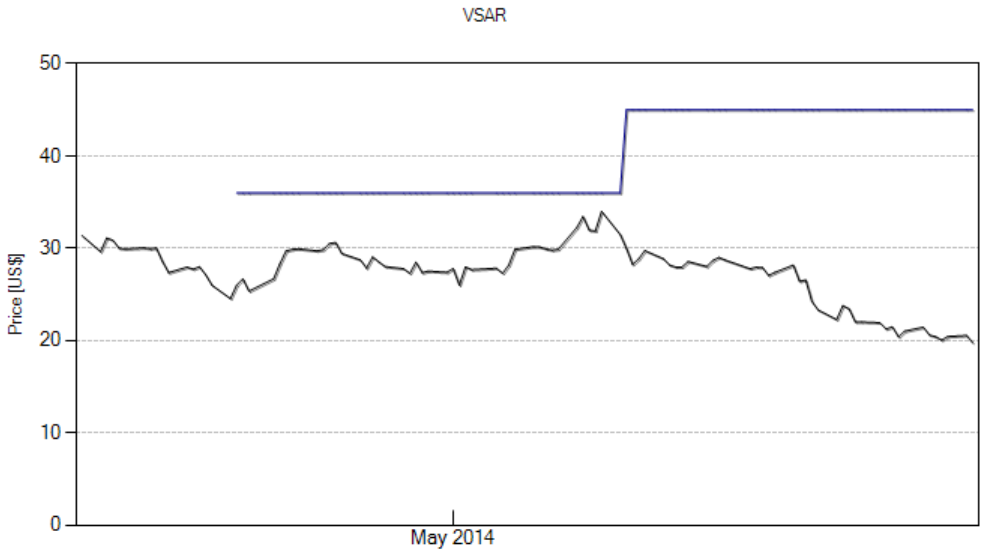
Site Visit: An analyst has not visited Versartis' material operations.

Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	04/15/2014	Newman	Buy	36.00	2)	06/16/2014	Newman	Buy	45.00

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

Distribution of Ratings:
Global Stock Ratings
(as of 3 July 2014)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	602	61.2%	38.2%
Speculative Buy	49	5.0%	55.1%
Hold	290	29.5%	13.1%

Sell	41	4.2%	7.3%
	984	100.0%	

*Total includes stocks that are Under Review

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Versartis	1A, 2, 3, 5, 7

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