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Cerulean Pharma (CERU - OUTPERFORM): CRLX301 Advanced into the Clinic, Reiterate OUTPERFORM

Price: $6.27 **12-Month Price Target: $12**

- **The first patient has been dosed in the Ph 1/2a trial of CRLX301, Cerulean's docetaxel-based nanopharmaceutical, in advanced solid tumors.** The dose-escalation Ph 1 portion of the study will identify the MTD in up to 36 patients, while the Ph 2 portion will evaluate the recommended dose of IV CRLX301 in a Q3W dosing schedule in an additional 24 patients. Primary endpoints include PK, safety and tolerability, and we expect data (including preliminary evidence of efficacy) in Q4:15.

- **Preclinical data suggests CRLX301 could improve upon the safety and efficacy of Taxotere (docetaxel).** CRLX301 is a nanopharmaceutical with a docetaxel payload, and is CERU's second clinical candidate. CERU's tumor-targeted nanodelivery platform is designed to selectively release an anti-cancer payload within a tumor, which reduces systemic exposure and potentially improves the therapeutic effect. CRLX301 outperformed Taxotere in multiple animal models, with mice administered CRLX301 having a 10x higher free docetaxel concentration within their tumors compared to animals administered Taxotere. CRLX301 was also safer and had a higher MTD.

- **Unlike camptothecin, the payload in CRLX101, docetaxel is an approved agent, which we believe reduces the development and regulatory risk for CRLX301.** We expect CRLX301 to be initially developed for settings where docetaxel is already approved, which includes cancers of the breast, lung, prostate, stomach and head and neck. Given its low EV (~$75M), we view CERU as having a favorable risk/reward profile, and would be buyers of shares.

- **Reiterate OUTPERFORM rating and $12 price target.** Our $12 price target is derived from applying a 6 multiple to estimated 2020 sales of CRLX101, discounted back by 35%.

  Risks to the achievement of our price target include failure to gain approval for CRLX101 in the ovarian, renal cell carcinoma and neoadjuvant rectal cancer settings, failure to achieve sales estimates for CRLX101 and failure to achieve earnings estimates.

  Milestones

Q1:15	Data from Phase II trial of CRLX101 in combination with Avastin in platinum refractory ovarian cancer
Q1:15	Data from Phase I/II trial of CRLX101 in combination with chemoradiation in neoadjuvant rectal cancer
Q4:15	Phase I data for CRLX301
YE:15	Potential data from Phase II trial of CRLX101 in combination with Avastin in relapsed clear cell RCC

Analyst Certification
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Wedbush Equity Research Disclosures as of December 17, 2014

Company	Disclosure
Cerulean Pharma	1,3,4,5

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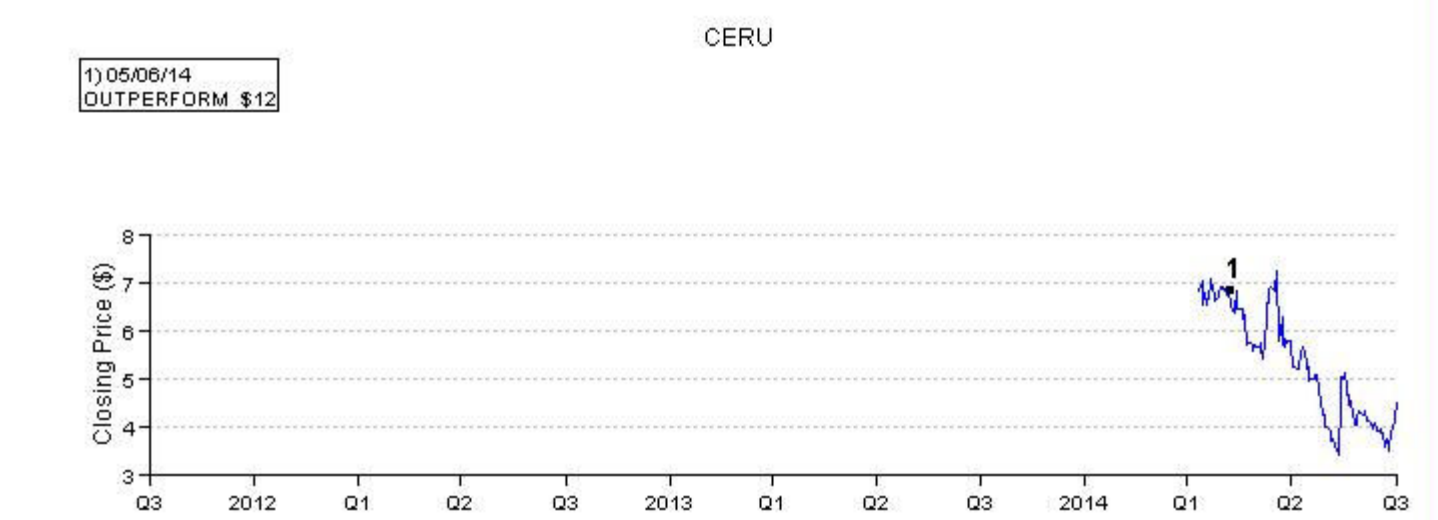

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