April 29, 2015

OUTPERFORM

Reason for report:

PROPRIETARY INSIGHTS

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LEERINK

ALDER BIOPHARMACEUTICALS, INC.

Buying Opp't on Pullback; Competitive Position to Strengthen Further; $40 PT

• **Bottom Line:** ALDR shares have pulled back since comments on the 4Q call, and the anticipation of competitive data created some uncertainty which we expect to be replaced with regained enthusiasm for the competitive profile of ALD403 after an update from the company on the 1Q call and data for ALD403 and competitors are presented at the International Headache Society (IHS) in mid-May. We also expect Phase 2b data in 4Q15 for ALD403 IV in chronic migraine to boost the stock. **Reiterate Outperform rating and raise PT to $40 from $31.**

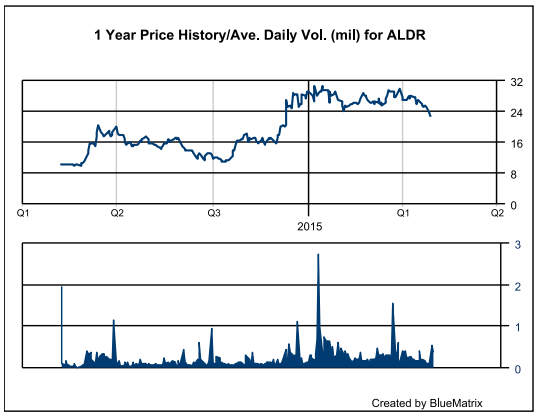
• **AMG334 abstract for IHS lifts an overhang and shows that ALD403 profile continues to look best-in-class.** We believe there have been concerns that by targeting the receptor, AMG334 (AMGN, MP) could have superior efficacy; however the 50% responder rate was numerically lower on cross-trial comparison than ALD403. Meanwhile, data for ALD403 to be reported at IHS show the response for the IV formulation is durable and does not wane between 3 and 6 mos. after dosing (see table within). We also expect data for the SQ formulation of ALD403 to show similar pk/pd to the IV.

• **On the 1Q call we expect ALDR to announce more detailed plans to develop a highly competitive Phase 3 dosing regimen for the SQ formulation of ALD403.** ALDR said on the 4Q call that it plans to start trials for ALD403 in chronic and high-frequency migraine by mid-2015, and it will be more specific when the planning process is complete. It also noted that it believes both IV and SQ are important to bring to market, and it is considering ways to accelerate development now that a bolstered balance sheet and other clinical work allow ALDR to go "bigger, faster." We believe ALD403 SQ could be poised to enter Phase 2b/3 by mid-2015, which would result in SQ reaching the market in 2018 rather than 2019 as we previously projected (and still do for IV).

• **We believe that ALD403 SQ could be dosed quarterly (vs. monthly for other anti-CGRP mAbs)** since it has been shown in Phase 1 to have 70.3% of the bioavailability of the IV and a similar pharmacodynamic (PD) effect in terms of both magnitude and duration. PD effects characterized by a dose-related inhibition of vasodilation induced by topically applied capsaicin were observed in subjects receiving IV administration of ALD403 that persisted through 84 days post-treatment. These data and data to be presented at the IHS from the Phase 2 trial of ALD403 IV showing that the effect of the drug does not wane from 3 to 6 months after treatment support the company's contention that its MabXpress technology creates aglycosylated antibodies with less immunogenicity and a longer half life. ALDR stated on its 4Q call that it has tested the effects of retreatment in healthy volunteers in order to predict the right SQ doses to take forward (into Phase 2b/3 we believe). We are raising our peak revenue est's to ~$1.5bn (gross) and ~$1bn (p/w) from $1.25bn and $750MM, respectively, to reflect a potential dosing advantage.

Key Stats:	**(NASDAQ:ALDR)**
S&P 600 Health Care Index:	**1,633.08**
Price:	**$23.68**
Price Target:	$40.00 from $31.00
Methodology:	Sum-of-the-parts DCF analysis, 12% discount rate, 2.5% terminal growth
52 Week High:	$32.30
52 Week Low:	$9.50
Shares Outstanding (mil):	39.1
Market Capitalization (mil):	$925.9
Cash Per Share:	$6.31
Dividend (ann):	$0.00
Dividend Yield:	0.0%
Est LT EPS Growth:	NA

General: Diluted shares outstanding 1Q15E.
Cash Per Share: Net cash 1Q15E.



Dec Yr	1Q	2Q	3Q	4Q	FY Rev	1Q	2Q	3Q	4Q	FY EPS	P/E
2014A	**4.8**	**4.7**	**38.8**	**6.4**	**54.7**	**(5.38)**	**(0.40)**	**0.88**	**(0.22)**	**0.44**	**53.8x**
2015E	0.0	0.0	0.0	0.0	0.0	(0.37)	(0.39)	(0.40)	(0.42)	(1.58)	NM
2016E	--	--	--	--	15.0	--	--	--	--	(1.42)	NM

Source: Company Information and Leerink Partners LLC Research
Revenues in $MM; GAAP EPS presented; EPS estimates reflect the ALDR 5.7.14 IPO.

Please refer to pages 8 - 12 for Important Disclosures, Price Charts and Analyst Certification.

INVESTMENT THESIS

We rate ALDR shares Outperform. Alder Biopharmaceuticals is developing two proprietary monoclonal antibodies ALD403 and Clazakizumab with affinity to validated targets for migraine prophylaxis (anti-Calcitonin Gene Related Peptide [CGRP]) and rheumatoid arthritis (anti-Interleukin-6 [IL-6]). ALDR's discovery platform is differentiated by its unique yeast-based manufacturing technology MabXpress, which we believe could enable a more efficient generation of monoclonal antibody therapeutics, potentially leading to higher yields, economies of scale and therefore pricing flexibility and/or a lower COGS margin. Lead product ALD403 recently produced "Breakthrough Therapy-like" Phase IIa data in high frequency migraine patients, where just a single dose of '403 precipitated a 75% reduction in migraine days in 32% of patients and an 100% reduction in migraine days in 16% of patients over the course of a 12-week study. ALD403 is now in a Phase IIb trial for the IV formulation and is ready to advance into a Phase IIb/III study for the SQ formulation, we believe. Clazakizumab data was released at the American College of Rheumatology (11/16, 4:30pm EST) and then in 1H15, while a first Phase IIb dose ranging study showed comparable efficacy to blockbuster anti-TNF Humira on the ACR20/50/70 and a numerical trend toward superiority on the das28 remission score, which MEDACorp KOLs, with whom we spoke, view as most clinically significant. We expect ALDR shares to appreciate as both clinical and regulatory catalysts are realized for Clazakizumab and '403, and we expect ALDR to move at least 1 new monoclonal antibody into the clinic in 2015.

VALUATION

We derive a $40 price target for ALDR shares in 12 months, which assigns ~$30/share to ALD403, ~$3/share to Clazakizumab, ~$1/share to the pipeline, and the rest to net cash. We model peak gross ALD403 US revenues of $1.5bn (~$1bn risk adjusted, using a 60% probability of approval) in 2026E. We assume peak ex-US risk-adjusted sales of ~$420MM (2026E), on which ALDR gets ~$50MM in royalties. We model peak gross WW Clazakizumab revenues of ~$550MM (~$165MM risk adjusted, using a 30% probability of approval) in 2023E, translating into $33MM in royalties to ALDR. Our price target is based on a 60% approval probability for ALD403 and 30% for Clazakizumab and uses a discount rate of 12% and a terminal growth rate of 2.5%, both of which we believe are conservative relative to ALDR's biotechnology peers.

RISKS TO VALUATION

Risks to our valuation include delays in the clinical trial and approval process for either ALD403 or Clazakizumab. Delays in the approval process could generate increased competition from agents which benefit from the first mover advantage. We also anticipate the need for outside financing in the future which could present a risk to our price target.

Episodic Migraine (EM) Prophylaxis: Cross-trial comparison from Ph. I and II proof-of-concept trials				
	ALD403 **(ALDR)**	AMG334 **(AMGN)**	LBR-101 / TEV-48125 **(TEVA)**	LY2951742 **(LLY)**
Mechanism of Action	Binds to CGRP ligand	Binds to CGRP receptor	Binds to CGRP ligand	Binds to CGRP ligand
Ph. 1b/II patient number (n)	163 (Ph. Ib)	483 (Ph. II)	319 (Ph. II)	217 (Ph. II)
Baseline Migraine Days/month (drug vs. pbo)	8.7 vs. 8.9	≥ 4 and <15	≥ 4 and <15	6.7 vs. 7
Dosing *(frequency)*	1000 mg IV (*single dose)*	70 mg SC (*once monthly*)	SC (doses undisclosed) (*once monthly)*	150 mg SC *(once every 2 weeks)*
Efficacy				
At 12 weeks (drug vs. pbo)				
Mean change in migraine days/28 days	5.6 vs. 4.6 (p=0.03)	3.54 vs. 2.28 (p=0.021)	-	4.2 vs. 3.0 (p<0.003)
50% Reduction in Migraine days	61% vs. 33% (p<0.001)	46.5% vs. 29.9% (p=0.011)	-	70.4% vs. 45.2% (p-value N/A)
75% Reduction in Migraine days	33% vs. 9% (p<0.001)	-	-	-
100% Reduction in Migraine days	16% vs. 0% (p<0.001)	-	-	33.3% vs. 17.3 (p-value N/A)
At 24 weeks (drug vs. pbo)				
50% Reduction in Migraine days	53% vs. 28% (p<0.001)	-	-	-
75% Reduction in Migraine days	26% vs. 7% (p<0.002)	-	-	-
100% Reduction in Migraine days	11% vs. 0% (p<0.002)	-	-	-
Safety				
% Adverse Events	56% vs. 50%	-	-	72% vs. 67%
Notable AEs	Tooth abscess	-	-	Injection site pain, upper respiratory infections, abdominal pain
Status Update	Ph. 3 ready for EM; potentially initiating shortly for IV/SC	Ph. 3 ready for EM; full data presented at upcoming International Headache Society on May 15th (10-11 am CET)	Ph.2/3 ready for EM; full data likely to be presented at American Headache Society in June'15	Ph. 3 ready for EM; Ph. 3 trial in cluster headache initiating in May'15, topline data expected in May'16. (n=162; 300 mg SC QM);

Source: Company reports

Alder P&L ($MM except EPS)	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
ALD403 US Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46.6
ALD403 Ex-US Royalties/Miles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clazakizumab Royalties	-	-	-	-	-	-	-	-	-	-	-			-	8.4
Clazakizumab Milestones	20.1	18.8	4.8	4.7	38.8	6.4	54.7	-	-	-	-	-	15.0	15.0	20.0
Other Collaborations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pipeline	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenues	**20.1**	**18.8**	**4.8**	**4.7**	**38.8**	**6.4**	**54.7**	**-**	**-**	**-**	**-**	**-**	**15.0**	**15.0**	**75.0**
Cost of Goods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.0
Gross Profit	20.1	18.8	4.8	4.7	38.8	6.4	54.7	-	-	-	-	-	15.0	15.0	68.0
R&D	30.7	31.9	7.0	9.4	7.0	10.0	33.4	10.5	11.0	11.5	12.0	45.0	49.5	56.9	62.6
SG&A	7.2	7.7	3.2	2.7	3.2	3.4	12.5	3.3	3.4	3.4	3.5	13.6	25.0	40.0	52.0
Operating Expenses	37.9	39.6	10.2	12.1	10.2	13.4	45.9	13.8	14.4	14.9	15.5	58.6	74.5	96.9	114.6
Operating Income	(17.8)	(20.8)	(5.5)	(7.4)	28.6	(6.967)	8.8	(13.8)	(14.4)	(14.9)	(15.5)	(58.6)	(59.5)	(81.9)	(46.6)
Interest income (expense)	0.0	0.1	0.0	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.4)	1.7	1.5
Other Income (expense)	-	0.1	-	0.0	0.1	-	0.1	-	-	-	-	-	-	-	-
EBT	(17.8)	(20.6)	(5.4)	(7.4)	28.6	(6.942)	8.9	(13.8)	(14.4)	(14.9)	(15.5)	(58.6)	(59.9)	(80.3)	(45.1)
Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	**(17.8)**	**(20.6)**	**(5.4)**	**(7.4)**	**28.6**	**(6.9)**	**8.9**	**(13.8)**	**(14.4)**	**(14.9)**	**(15.5)**	**(58.6)**	**(59.9)**	**(80.3)**	**(45.1)**
Basic EPS	$ (3.55)	$ (3.84)	$ (5.38)	$ (0.40)	$ 0.93	$ (0.22)	$ 0.44	$ (0.37)	$ (0.39)	$ (0.40)	$ (0.42)	$ (1.58)	$ (1.42)	$ (1.82)	$ (1.00)
Diluted EPS	$ (3.55)	$ (3.84)	$ (5.38)	$ (0.40)	$ 0.88	$ (0.22)	$ 0.41	$ (0.37)	$ (0.39)	$ (0.40)	$ (0.42)	$ (1.58)	$ (1.42)	$ (1.82)	$ (1.00)
Basic Shares Outstanding	5.0	5.4	1.0	18.6	30.8	30.9	20.3	37.0	37.1	37.2	37.3	37.1	42.1	44.1	45.1
Diluted Shares Outstanding	5.0	5.4	1.0	20.7	32.5	32.6	21.7	39.1	39.2	39.3	39.4	39.3	44.3	46.3	47.3

Alder BS and CFS ($MM)	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Change in Cash	**6.4**	**(30.5)**	**(10.3)**	**67.3**	**(12.7)**	**(11.7)**	**32.7**	**190.9**	**(13.2)**	**(13.6)**	**(14.2)**	**150.0**	**65.1**	**62.4**	**(35.1)**
Net Cash	**59.4**	**23.2**	**12.9**	**80.3**	**67.6**	**55.9**	**55.9**	**246.8**	**233.7**	**220.0**	**205.9**	**205.9**	**270.9**	**333.4**	**298.2**
Cash & Cash Equivalents	59.4	23.2	12.9	80.3	67.6	55.9	55.9	246.8	233.7	220.0	205.9	205.9	270.9	333.4	298.2
Debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Cash Flow	**(29.9)**	**(36.1)**	**(9.8)**	**(11.4)**	**(11.2)**	**(11.2)**	**(43.5)**	**(11.6)**	**(12.2)**	**(12.6)**	**(13.2)**	**(49.6)**	**(48.0)**	**(67.6)**	**(10.1)**
Net Income	(17.8)	(20.6)	(5.4)	(7.4)	28.6	(6.9)	8.9	(13.8)	(14.4)	(14.9)	(15.5)	(58.6)	(59.9)	(80.3)	(45.1)
SOE	0.5	0.6	0.6	0.7	0.6	0.8	2.8	1.4	1.4	1.5	1.6	5.9	7.5	9.7	11.5
Milestone Cash/Amort Adj	-	-	(4.8)	(4.7)	(38.8)	(6.4)	(54.7)	-	-	-	-	-	(4.5)	(15.0)	1.0
Other	(12.8)	(16.3)	(0.2)	-	(1.7)	1.4	(0.5)	-	-	-	-	-	-	-	-
D&A	0.2	0.2	0.4	0.4	0.4	0.4	1.6	0.8	0.8	0.8	0.8	3.2	9.0	18.0	22.5
Investing Cash Flow	**(1.6)**	**5.5**	**(0.5)**	**(0.5)**	**(1.5)**	**(0.5)**	**(3.0)**	**(1.0)**	**(1.0)**	**(1.0)**	**(1.0)**	**(4.0)**	**(12.0)**	**(20.0)**	**(25.0)**
CapEx	(1.2)	(1.2)	(0.5)	(0.5)	(1.5)	(0.5)	(3.0)	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)	(12.0)	(20.0)	(25.0)
Other	(0.4)	6.7	-	-	-	-	-	-	-	-	-	-	-		
Financing Cash Flow	**37.9**	**0.0**	**-**	**79.2**	**-**	**-**	**79.2**	**203.6**	**-**	**-**	**-**	**203.6**	**125.0**	**150.0**	**-**
Equity Raise (Buyback)	37.9	0.0	-	79.2	-	-	79.2	203.6	-	-	-	203.6	125.0	150.0	-
Debt Issue (Retirement)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: SEC Filings and Leerink Partners Research

Discounted Cash Flow

Diluted Shares Outstanding 1Q15E	39.1
Discount Rate	12%
Terminal Growth Rate	2.5%
ALD403 Approval Probability	60%
Clazakizumab Approval Probability	30%

ALDR Valuation	Per/Share	Val ($MM)	% Total
Total	**$ 40.43**	**$ 1,581**	100%
ALD403	$ 30.40	$ 1,189	75%
Clazakizumab	$ 3.08	$ 121	8%
Pipeline	$ 0.63	$ 25	2%
Net Cash 1Q15E	$ 6.31	$ 247	16%

ALD403	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
US Sales ($MM)	**-**	**-**	**-**	**-**	**-**	**46.6**	**94.0**	**249.1**	**299.2**	**422.6**	**548.2**	**676.1**	**806.2**	**938.6**	**757.7**	**573.4**	**462.8**	**350.2**	
Ex US Royalties/Milestones ($MM)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.7**	**11.2**	**22.2**	**37.0**	**45.6**	**54.4**	**63.4**	**51.1**	**38.7**	**31.2**	**23.6**	
COGS	-	-	-	-	-	7.0	14.1	37.4	44.9	63.4	82.2	89.1	104.2	119.2	88.2	58.1	42.0	27.6	
R&D	27.1	28.4	36.0	39.6	45.5	43.8	34.4	30.3	25.0	18.3	20.2	21.2	16.7	17.5	18.4	19.3	20.3	21.3	
SG&A	7.1	11.6	12.6	23.8	38.0	49.4	66.7	90.0	90.8	105.0	136.2	192.8	234.5	266.2	227.4	175.5	117.7	88.3	
Other Income (Expense)	-	-	-	-	-	0.9	1.8	2.6	3.1	4.1	5.2	6.1	7.8	9.8	10.7	10.5	10.5	9.9	
EBT	(34.2)	(40.0)	(48.6)	(63.4)	(83.5)	(52.7)	(19.4)	97.7	152.8	262.2	351.9	424.8	513.0	608.9	485.4	369.6	324.6	246.7	
Tax	-	-	-	-	-	-	-	-	11.3	51.4	83.5	113.9	139.7	165.9	132.5	99.0	78.2	56.6	
Net Income	(34.2)	(40.0)	(48.6)	(63.4)	(83.5)	(52.7)	(19.4)	97.7	141.5	210.8	268.4	310.9	373.4	443.0	353.0	270.7	246.3	190.1	
SOE+CapEx+Non Cash Adj.	-	-	-	-	-	0.8	1.0	4.5	4.0	7.1	8.4	9.2	11.3	11.7	12.2	13.1	15.4	19.0	
Free Cash Flow	(34.2)	(40.0)	(48.6)	(63.4)	(83.5)	(51.9)	(18.4)	102.2	145.4	217.9	276.7	320.1	384.7	454.7	365.2	283.8	261.7	209.1	
Discount Periods	-	-	-	0.8	1.8	2.8	3.8	4.8	5.8	6.8	7.8	8.8	9.8	10.8	11.8	12.8	13.8	14.8	
NPV FCF	**-**	**-**	**(48.6)**	**(58.2)**	**(68.5)**	**(38.0)**	**(12.0)**	**59.6**	**75.8**	**101.4**	**115.0**	**118.7**	**127.4**	**134.5**	**96.4**	**66.9**	**55.1**	**39.3**	**424.0**

ALD403 Valuation	$ 1,189

Clazakizumab	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
Milestones from BMS ($MM)	**-**	**-**	**-**	**10.5**	**-**	**21.0**	**15.0**	**3.0**	**7.5**	**3.0**	**7.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Royalties from BMS ($MM)	**-**	**-**	**-**	**-**	**-**	**8.4**	**18.6**	**29.2**	**30.4**	**31.6**	**32.8**	**32.1**	**31.3**	**28.4**	**25.4**	**22.5**	**17.8**	**6.7**	
COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
R&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
SG&A	0.5	0.9	1.0	1.3	2.0	2.6	3.5	4.7	4.9	5.7	7.4	10.5	12.7	15.1	13.4	11.7	10.6	9.3	
Other Income (Expense)	-	0.1	0.0	(0.4)	1.7	0.6	0.6	0.3	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.2	
EBT	(0.5)	(0.8)	(0.9)	8.9	(0.3)	27.4	30.8	27.7	33.3	29.2	33.3	21.9	18.9	13.5	12.3	11.2	7.6	(2.4)	
Tax	-	-	-	-	-	-	-	-	1.4	4.0	5.8	5.1	5.1	4.7	4.2	3.6	2.8	1.0	
Net Income	(0.5)	(0.8)	(0.9)	8.9	(0.3)	27.4	30.8	27.7	31.9	25.2	27.5	16.9	13.8	8.8	8.2	7.5	4.8	(3.4)	
SOE+CapEx+Non Cash Adj.	-	(0.4)	1.4	1.2	1.2	0.5	0.4	0.6	0.5	0.6	0.6	0.4	0.4	0.3	0.4	0.5	0.6	0.3	
Free Cash Flow	(0.5)	(1.2)	0.4	10.0	0.9	27.9	31.1	28.3	32.4	25.8	28.1	17.3	14.2	9.1	8.6	8.0	5.3	(3.1)	
Discount Periods	-	-	-	0.8	1.8	2.8	3.8	4.8	5.8	6.8	7.8	8.8	9.8	10.8	11.8	12.8	13.8	14.8	
NPV FCF	**-**	**-**	**0.4**	**9.2**	**0.7**	**20.4**	**20.3**	**16.5**	**16.9**	**12.0**	**11.7**	**6.4**	**4.7**	**2.7**	**2.3**	**1.9**	**1.1**	**(0.6)**	**(6.2)**

Clazakizumab Valuation	$ 121

Pipeline/Platform	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
Sales	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.2**	**137.8**	**181.8**	**233.4**	**293.4**	**322.7**	**338.8**	
R&D Multiple	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	
COGS	-	-	-	-	-	-	-	-	-	-	-	12.4	16.7	21.6	25.4	27.9	27.4	25.0	
R&D	4.8	5.0	9.0	9.9	11.4	25.0	34.4	45.5	58.3	73.3	80.7	84.7	94.5	99.2	104.2	109.4	114.9	120.6	
SG&A	-	-	-	-	-	-	-	-	3.0	3.4	4.4	6.3	7.6	21.2	26.8	46.8	83.8	88.5	
Other Income (Expense)	-	-	-	-	-	-	-	-	-	-	-	0.8	1.3	1.8	3.1	5.1	6.8	9.0	
EBT	(4.8)	(5.0)	(9.0)	(9.9)	(11.4)	(25.0)	(34.4)	(45.5)	(61.3)	(76.8)	(85.1)	(2.3)	20.2	41.6	80.0	114.4	103.4	113.8	
Tax	-	-	-	-	-	-	-	-	-	-	-	-	22.4	30.1	38.2	47.4	51.1	51.3	
Net Income	(4.8)	(5.0)	(9.0)	(9.9)	(11.4)	(25.0)	(34.4)	(45.5)	(61.3)	(76.8)	(85.1)	(2.3)	(2.2)	11.5	41.8	66.9	52.3	62.5	
SOE+CapEx+Non Cash Adj.	-	-	-	-	-	-	-	-	-	-	-	1.3	1.8	2.1	3.5	6.3	10.1	17.2	
Free Cash Flow	(4.8)	(5.0)	(9.0)	(9.9)	(11.4)	(25.0)	(34.4)	(45.5)	(61.3)	(76.8)	(85.1)	(1.0)	(0.4)	13.6	45.3	73.2	62.4	79.7	
Discount Periods	-	-	-	0.8	1.8	2.8	3.8	4.8	5.8	6.8	7.8	8.8	9.8	10.8	11.8	12.8	13.8	14.8	
NPV FCF	**-**	**-**	**(9.0)**	**(9.1)**	**(9.3)**	**(18.3)**	**(22.5)**	**(26.5)**	**(32.0)**	**(35.7)**	**(35.4)**	**(0.4)**	**(0.1)**	**4.0**	**12.0**	**17.3**	**13.1**	**15.0**	**161.7**

Pipeline/Platform Valuation	$ 25

Source: Leerink Partners Research; values in ($MM) except per/share numbers

ALD403 US Revenue Model ($MM)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Patients Suffering from Migraine (MM)	36.0	36.3	36.7	37.0	37.3	37.6	38.0	38.3	38.7	39.0	39.4	39.7	40.1	40.4	40.8	41.2	41.5
% diagnosed	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%	62%
Diagnosed Migraine Patients (MM)	22.3	22.5	22.7	22.9	23.1	23.3	23.5	23.7	24.0	24.2	24.4	24.6	24.8	25.1	25.3	25.5	25.7
% candidates for prophylaxis	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%
Diagnosed Migraine Patients - Prophy Candidates	12.5	12.6	12.7	12.8	12.9	13.1	13.2	13.3	13.4	13.5	13.7	13.8	13.9	14.0	14.2	14.3	14.4
% receiving prophylaxis	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Diagnosed Migraine Patients Receiving Prophylaxis	6.2	6.3	6.4	6.4	6.5	6.5	6.6	6.6	6.7	6.8	6.8	6.9	7.0	7.0	7.1	7.1	7.2
% treated with anti-CGRP therapy	0.0%	0.0%	0.0%	0.0%	0.2%	0.5%	1.5%	2.5%	3.5%	4.5%	5.5%	6.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Migraine Patients Receiving anti-CGRP	-	-	-	-	12,944	32,650	98,833	166,204	234,780	304,576	375,610	447,898	521,457	526,150	530,885	535,663	540,484
ALD403 Market Share	0.0%	0.0%	0.0%	0.0%	50.0%	40.0%	35.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	20.0%	15.0%	12.0%	9.0%
Patients Receiving ALD403	-	-	-	-	6,472	13,060	34,591	41,551	58,695	76,144	93,903	111,974	130,364	105,230	79,633	64,280	48,644
Annual Cost	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000
Gross Revenue ($MM)	$ -	$ -	$ -	$ -	$ 78	$ 157	$ 415	$ 499	$ 704	$ 914	$ 1,127	$ 1,344	$ 1,564	$ 1,263	$ 956	$ 771	$ 584
Approval Probability	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Risk-Adjusted Revenue	**$ -**	**$ -**	**$ -**	**$ -**	**$ 47**	**$ 94**	**$ 249**	**$ 299**	**$ 423**	**$ 548**	**$ 676**	**$ 806**	**$ 939**	**$ 758**	**$ 573**	**$ 463**	**$ 350**

Approval Probability	60%
Cost of Therapy	$12,000

ROW Sales (probability-weighted)	$ -	$ -	$ -	$ -	$ -	$ -	$ 25	$ 75	$ 148	$ 247	$ 304	$ 363	$ 422	$ 341	$ 258	$ 208	$ 158
% of US	0%	0%	0%	0%	0%	0%	10%	25%	35%	45%	45%	45%	45%	45%	45%	45%	45%
ALDR Royalty Rate	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Royalties to ALDR (probability-weighted)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 4**	**$ 11**	**$ 22**	**$ 37**	**$ 46**	**$ 54**	**$ 63**	**$ 51**	**$ 39**	**$ 31**	**$ 24**

Source: SEC Filings and Leerink Partners Research

Alder Biopharma Milestones

Product	Catalyst	Timing
ALD403	Phase IIb/III SQ Initiation (episodic)	mid-2015
Clazakizumab	Phase IIb Rheumatoid Arthritis Data	1H15
Clazakizumab	Potential Partnership	mid-2015
ALD403	Phase IIb IV Data (chronic)	4Q15
ALD1613	Phase I Initiation in Cushing's Disesase	1Q16
ALD403	Phase III IV Initiation (chronic)	1H16
ALD403	Phase III SQ Data (episodic)	mid-2017
ALD403	Phase III IV Data (chronic)	1H18
ALD403	SQ FDA/EMA Approval (episodic)	2018
ALD403	IV FDA/EMA Approval (chronic)	2019

Source: SEC Filings and Leerink Partners Research

Disclosures Appendix

Analyst Certification

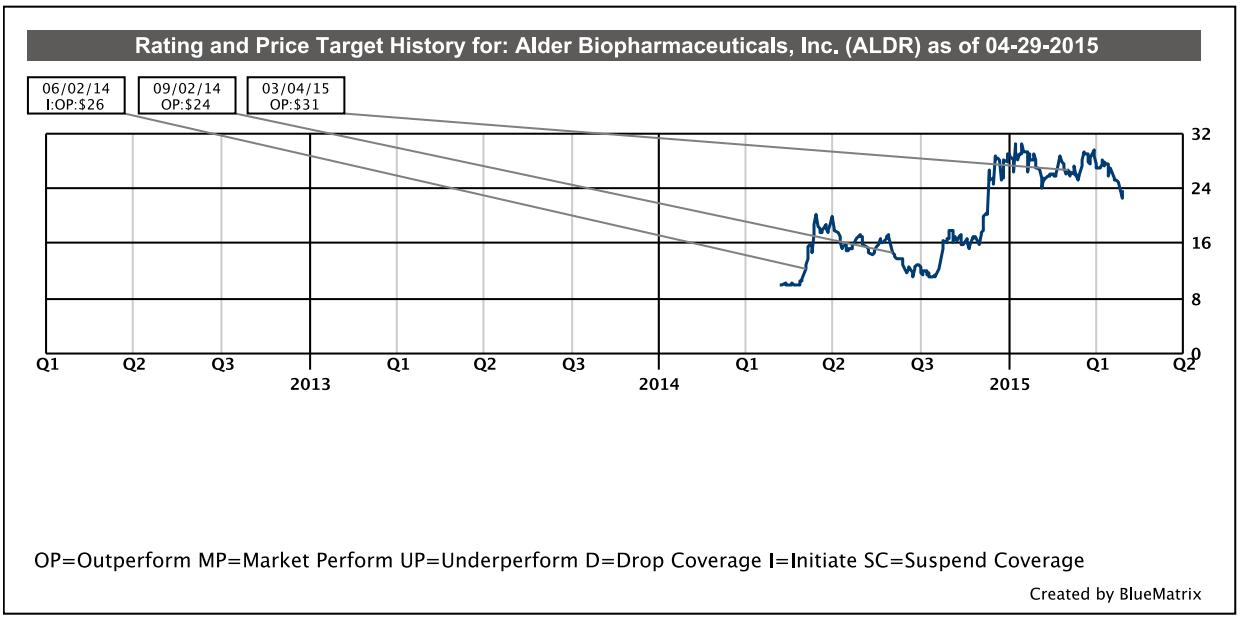
I, Joseph P. Schwartz, certify that the views expressed in this report accurately reflect my views and that no part of my compensation was, is, or will be directly related to the specific recommendation or views contained in this report.

Valuation

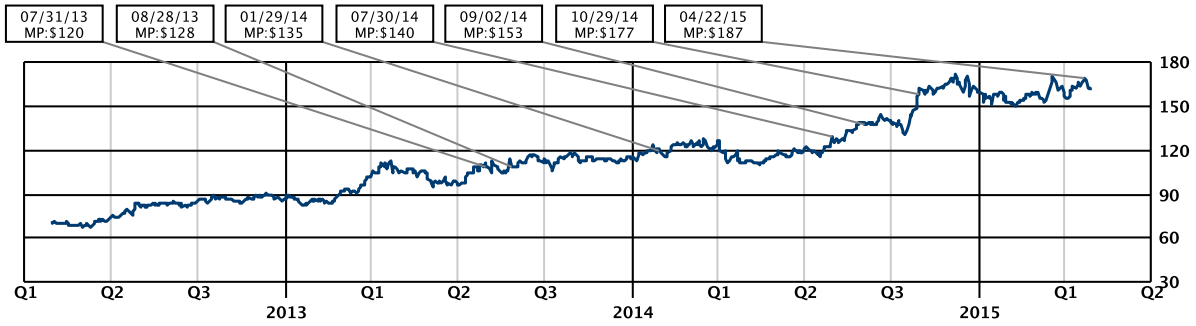
We derive a $40 price target for ALDR shares in 12 months, which assigns ~$30/share to ALD403, ~$3/share to Clazakizumab, ~$1/share to the pipeline, and the rest to net cash. We model peak gross ALD403 US revenues of $1.5bn (~$1bn risk adjusted, using a 60% probability of approval) in 2026E. We assume peak ex-US risk-adjusted sales of ~$420MM (2026E), on which ALDR gets ~$50MM in royalties. We model peak gross WW Clazakizumab revenues of ~$550MM (~$165MM risk adjusted, using a 30% probability of approval) in 2023E, translating into $33MM in royalties to ALDR. Our price target is based on a 60% approval probability for ALD403 and 30% for Clazakizumab and uses a discount rate of 12% and a terminal growth rate of 2.5%, both of which we believe are conservative relative to ALDR's biotechnology peers.

Risks to Valuation

Risks to our valuation include delays in the clinical trial and approval process for either ALD403 or Clazakizumab. Delays in the approval process could generate increased competition from agents which benefit from the first mover advantage. We also anticipate the need for outside financing in the future which could present a risk to our price target.



Rating and Price Target History for: Amgen, Inc. (AMGN) as of 04-29-2015



Leerink Swann placed a Market Perform rating on AMGN on November 14. 2011. On June 11, 2013, Leerink Swann began a transition to specific price targets for the stocks under its coverage, replacing valuation ranges.

OP=Outperform MP=Market Perform UP=Underperform D=Drop Coverage I=Initiate SC=Suspend Coverage

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Rating and Price Target History for: Eli Lilly and Company (LLY) as of 04-29-2015

Leerink Swann placed a Market Perform rating on LLY on August 1, 2011. On June 11, 2013, Leerink Swann began a transition to specific price targets for the stocks under its coverage, replacing valuation ranges.

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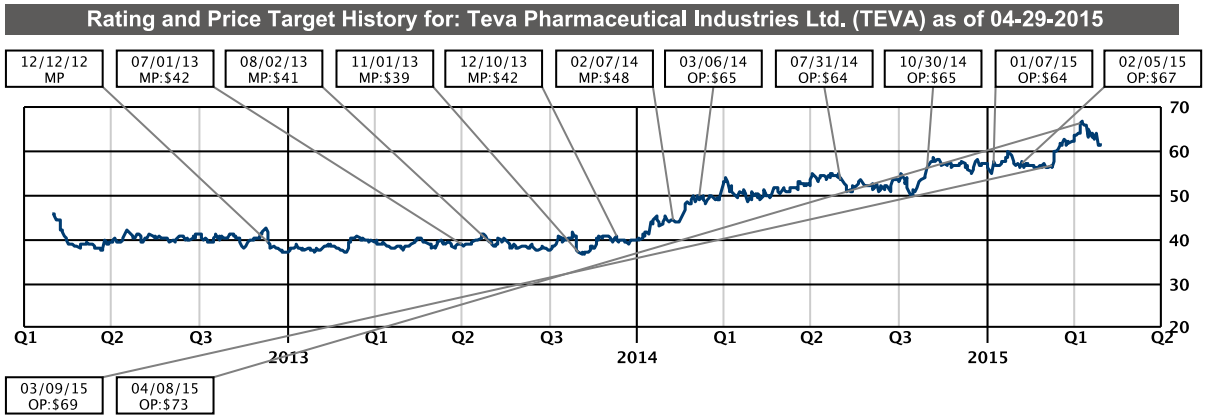

Leerink Swann initiated coverage of TEVA with an Outperform rating on August 18, 2011. On June 11, 2013, Leerink Swann began a transition to specific price targets for the stocks under its coverage, replacing valuation ranges.

OP=Outperform MP=Market Perform UP=Underperform D=Drop Coverage I=Initiate SC=Suspend Coverage

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Distribution of Ratings/Investment Banking Services (IB) as of 03/31/15				
			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OP]	151	70.20	55	36.00
HOLD [MP]	64	29.80	2	3.00
SELL [UP]	0	0.00	0	0.00

Explanation of Ratings

Outperform (Buy): **We expect this stock to outperform its benchmark over the next 12 months.**

Market Perform (Hold/Neutral): **We expect this stock to perform in line with its benchmark over the next 12 months.**

Underperform (Sell): **We expect this stock to underperform its benchmark over the next 12 months.The degree of outperformance or underperformance required to warrant an Outperform or an Underperform rating should be commensurate with the risk profile of the company.**

For the purposes of these definitions the relevant benchmark will be the S&P 600® Health Care Index for issuers with a market capitalization of less than $2 billion and the S&P 500® Health Care Index for issuers with a market capitalization over $2 billion.

Important Disclosures

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In the past 12 months, the Firm has received compensation for providing investment banking services to Alder Biopharmaceuticals, Inc. .

Leerink Partners LLC makes a market in Alder Biopharmaceuticals, Inc., Amgen, Inc. and Teva Pharmaceutical Industries Ltd.

Leerink Partners LLC is willing to sell to, or buy from, clients the common stock of Eli Lilly and Company on a principal basis.

Leerink Partners LLC has acted as the manager for a public offering of Alder Biopharmaceuticals, Inc. in the past 12 months.

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