

October 7, 2014

ALDR-NASDAQ--Outperform (1) / V

Biotechnology

ALDR: Detailed ALD403 Ph.II Data Publication Supports Antibody's Under-Recognized Promise In Migraine Prophylaxis

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Sector Rating: Biotechnology, Market Weight

**On 10/6, ph.II data from ALDR's anti-CGRP antibody ALD403 was published in Lancet Neurology ([http://www.thelancet.com/journals/lanneur/article/PIIS1474-4422\(14\)70209-1/abstract](http://www.thelancet.com/journals/lanneur/article/PIIS1474-4422(14)70209-1/abstract)). While results had previously been presented at this year's AAN (3mo) and American Headache Society (6mo) meetings, additional granularity on ALD403's efficacy and safety through 3 months was contained in the publication and we believe supports the antibody's promising profile.

**New detailed data on secondary endpoints through 3mo showed greater numerical improvements for '403 versus placebo in migraine hours, headache days, and lifestyle impact assessments (HIT-6 scores, MSQ scores), which we believe supports the migraine prophylaxis activity reflected in the primary endpoint. Improvements were consistent across all three time windows (weeks 1-4, 5-8, and 9-12).

**Additional detail showed AEs were comparable between '403 and placebo arms, with a few side effects very marginally higher for '403 (URI, tooth abscess, dizziness) but others (UTI, arthralgia) higher for placebo, such that the pattern appears to reflect noise not drug related (though interestingly dizziness, toothache, and URI were also slightly higher for LLY's CGRP antibody vs. placebo in LLY's ph.II). We noted a slightly higher rate of QT prolongation (4% versus 1%) for '403 for placebo, though the text of the article noted no clinically meaningful differences between the arms, we do not believe this has been a historical issue with CGRP antagonists, and the company said this had not been of any concern.

**We also had an opportunity to speak with ALDR and it appears the '403 program is proceeding well, with the IV chronic migraine ph.II starting in a month and a SC '403 study ongoing in healthy volunteers which should help determine dosing intervals and PK/PD with repeated SC doses.

**BOTTOM LINE: This additional detail supports our view that ALD403 has underappreciated promise, and that increased attention to CGRP antibodies for migraine in the next 6-12 months--through data readouts from ALDR and others in the space--will lead to enthusiasm about the significant opportunity and upside for ALDR shares.

Alder Biopharmaceuticals, Inc. (ALDR-NASDAQ)

Price as of 10/6/2014: \$12.01

FY 14 EPS: \$-1.53

FY 15 EPS: \$-1.20

Shares Out.: 29.9 MM

Market Cap.: \$359.1 MM

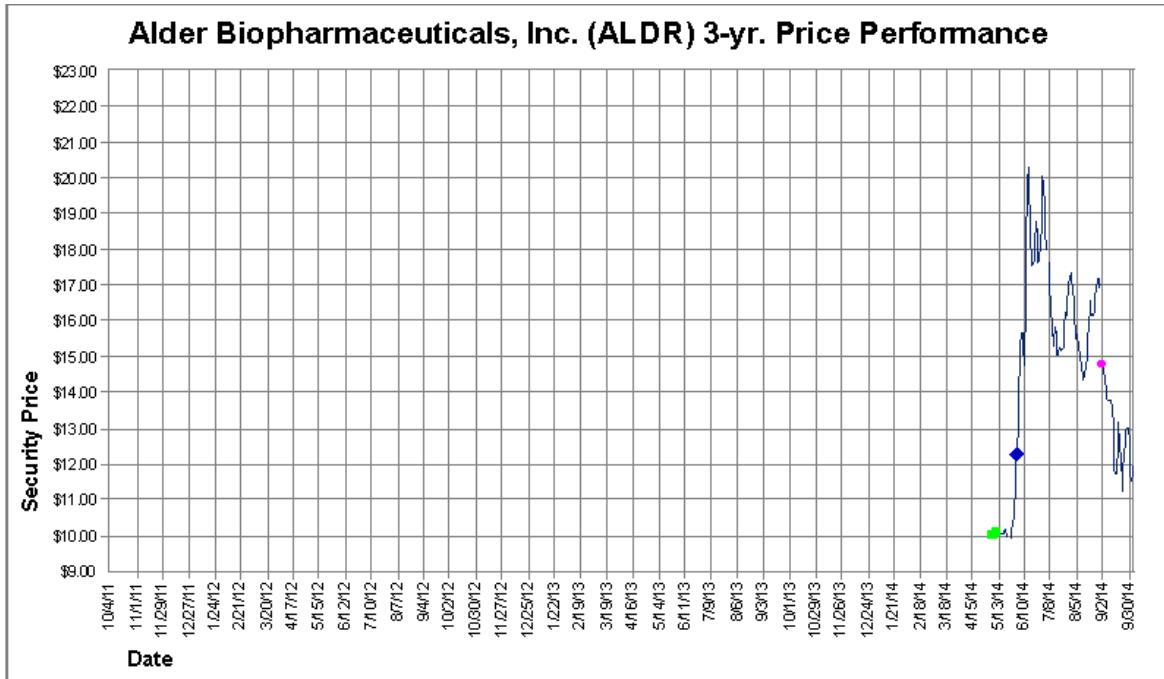
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Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
□	5/8/2014		IPO at \$10.00			
◆	6/2/2014	10.74	Abrahams, M.D. 1	22.00	24.00	12.26
●	9/2/2014	14.25	1	19.00	21.00	14.80

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	□	Split Adjustment

Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

Additional Information Available Upon Request

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ALDR: Risks include emergence of a safety signal, and competition in the migraine/RA spaces.

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As of: October 7, 2014

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