

February 24, 2015

ALDR-NASDAQ--Outperform (1) / V

Biotechnology

## ALDR: Further Endorsement Of CGRP Approach, This Time In Key Chronic Migraine Population, As TEVA's Ph.II Hits Endpoint

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### Sector Rating: Biotechnology, Market Weight

**\*\*This morning TEVA reported positive top-line results from its ph.II study of TEV-48125 in 261 chronic migraine patients, showing statistically significant reductions in headaches at both one and three months with no safety issues other than mild injection site reactions.**

**\*\*Recall TEVA is one of three other companies besides ALDR developing anti-CGRP antibodies for migraine prophylaxis; like ALDR's lead drug ALD403, TEVA's antibody targets the CGRP ligand.**

**\*\*We believe these positive results build upon the positive data already observed with ALDR's and LLY's anti-CGRP ligand antibodies and provide further endorsement for the consistent efficacy and safety of the approach, further de-risking ALDR's program and improving ALD403's likelihood of success.**

**\*\*What is also notable is that this study is the first to definitively confirm the benefits of CGRP antibodies in the highest-frequency "chronic" (15+ headache days/month) population (though this is not surprising given the good efficacy with ALD403 in patients on the sicker end of the spectrum). This is important because this chronic population is the one currently being studied by ALDR in a ph.IIb - so increasing the likelihood the next data readout for ALDR in H2 2015 is positive - and it is also a population typically seen by specialists in which ALDR would be able to potentially build a competitive salesforce to commercialize ALD403.**

**\*\*TEVA's dosing frequency and administration set a high bar, but given the durability of ALD403's effects with just a single dose, we believe '403 will have a competitive profile.**

**\*\*BOTTOM LINE: Positive TEVA data lends further support to anti-CGRP antibody approach in migraine and further de-risks ALDR's lead program, in our view; while space is competitive, we believe ALD403 has a profile that enables meaningful future share in this large market, something we do not believe is fully baked into ALDR's valuation.**

### Alder Biopharmaceuticals, Inc. (ALDR-NASDAQ)

**Price as of 2/24/2015: \$28.67**

**FY 14 EPS: \$0.43**

**FY 15 EPS: \$-1.44**

**Shares Out.: 29.9 MM**

**Market Cap.: \$857.23 MM**

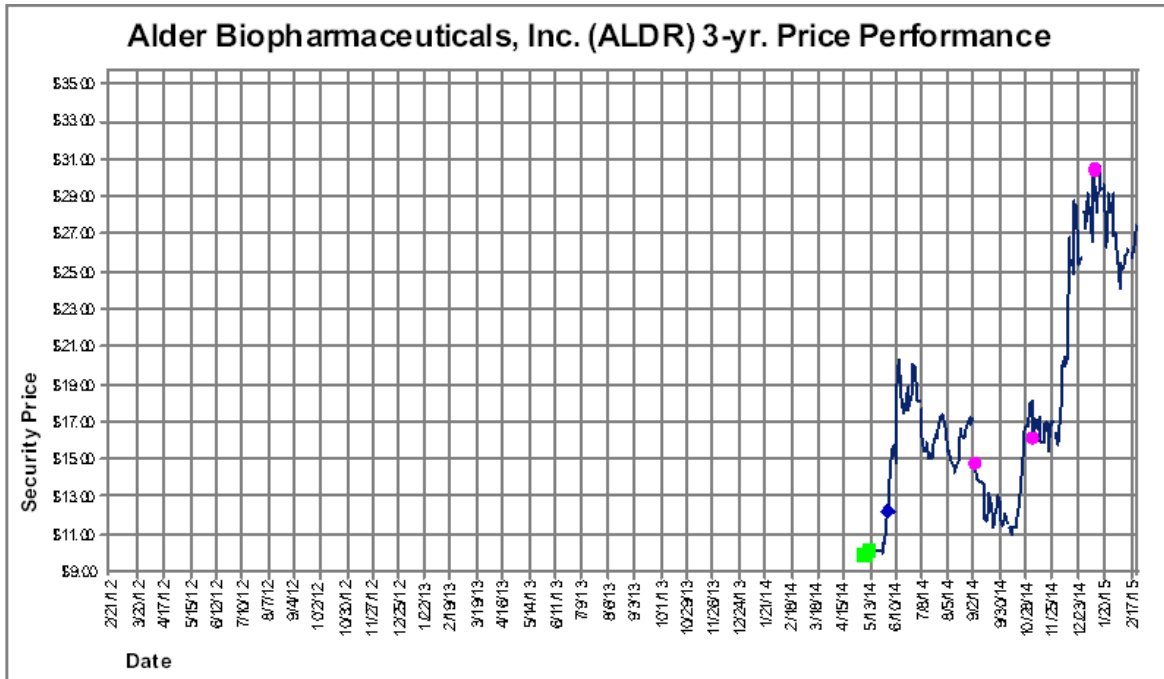
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### Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
□	5/8/2014		IPO at \$10.00			
	6/2/2014		Abrahams, MD.			
◆	6/2/2014	10.74	1	22.00	24.00	12.26
●	9/2/2014	14.25	1	19.00	21.00	14.80
●	11/4/2014	18.02	1	24.00	26.00	16.17
●	1/7/2015	26.54	1	34.00	37.00	30.48

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

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

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#### SECTOR RATING

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**M = Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.  
**U = Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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**V =** A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

#### As of: February 24, 2015

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