

December 11, 2014

ALDR-NASDAQ--Outperform (1) / V

Biotechnology

ALDR: Emphasis On CGRP Validation, Large Migraine Prophylaxis Opportunity By Competitor Should Draw Positive Attention To ALDR

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Sector Rating: Biotechnology, Market Weight

****This morning TEVA is hosting its 2015 Business Outlook day, including extensive discussion of its pipeline. Recall, TEVA is one of three players other than ALDR developing an anti-CGRP antibody for migraine prophylaxis.**

****Notably, TEVA highlighted its CGRP program as one of its key potential pipeline drugs and corroborated the significant unmet need in migraine prophylaxis, given the high prevalence of migraine and safety/efficacy limitations of existing prophylactic therapies-- in-line with our recent migraine KOL feedback.**

****TEVA specifically called out ALDR and LLY's recent trials as providing clear proof-of-concept for the approach overall, helping to draw further attention to ALDR's lead drug ALD403.**

****TEVA did show a slide highlighting what it views as potential differentiators for its antibody, TEV-48125. TEVA's antibody's longer half-life could potentially give it a modest advantage in dose frequency vs. others, though this will need to bear out clinically. TEVA also indicated data timelines (ph.IIb completion H1 2015) might put it towards the lead in this race; this may be a bit disingenuous though, since while its studies are legitimately larger, unlike ALDR and LLY it did not run a proof-of-concept ph.II first. Additionally, we note the large scale of ALDR's ph.IIb's could potentially fulfill part of its pivotal/registrational requirements, helping ALDR "catch-up" relative to the others.**

****BOTTOM LINE: We continue to see room for multiple competitors in the large migraine prophylaxis space, and as competitors like TEVA and AMGN highlight the unmet need and validate the pathway with their data, we believe positive attention will be drawn to the pure play CGRP company ALDR, shares of which we continue to believe undervalue lead drug '403's opportunity.**

Alder Biopharmaceuticals, Inc. (ALDR-NASDAQ)

Price as of 12/11/2014: \$22.72

FY 14 EPS: \$0.43

FY 15 EPS: \$-1.44

Shares Out.: 29.9 MM

Market Cap.: \$679.33 MM

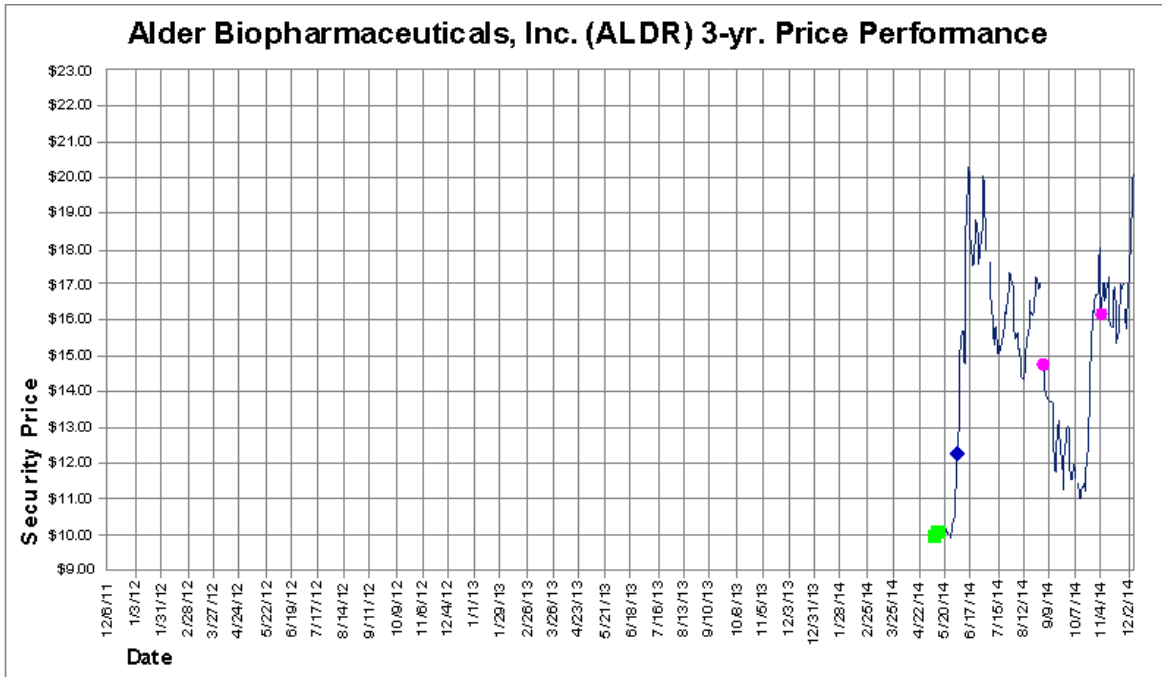
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□	5/8/2014		IPO at \$10.00			
	6/2/2014		Abrahams, M.D.			
◆	6/2/2014	10.74	1	22.00	24.00	12.26
●	9/2/2014	14.25	1	19.00	21.00	14.80
●	11/4/2014	18.02	1	24.00	26.00	16.17

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

▼ Rating Downgrade

▲ Rating Upgrade

● Valuation Range Change

◆ Initiation, Resumption, Drop or Suspend

■ Analyst Change

□ Split Adjustment

Rating Code Key

1 Outperform/Buy

2 Market Perform/Hold

3 Underperform/Sell

SR Suspended

NR Not Rated

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: December 11, 2014

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