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Alder Biopharmaceuticals (ALDR)

SMALL & MID CAP RESEARCH

Tight Race in CGRP Therapy Development Makes Product Profiles More Important

We think the product profiles will be the most distinguishing factor for CGRP directed therapies, and we believe ALDR has the best profile reported to date. ALDR's therapy is differentiated with: (1) fastest onset of therapeutic benefit, (2) potential quarterly dosing, (3) potential for IV or subcutaneous administration, and (4) durable responses over 6 months. We are increasing our TP to $50 from $34 based on the promising profile for ALD403 and the further de-risking of the drug class following positive data from two competitors. Our 2016 EPS estimate increases to ($1.91) from ($2.10) following model adjustments.

- **ALD403 profile due to antibody modifications:** The emerging product profile is largely attributable to the modifications that ALDR employs to generate ALD403, and we think the competitors will not be able to generate an antibody with similar characteristics using conventional methods.
- **ALDR catches up with the pack with new pivotal study:** ALDR recently announced plans for a pivotal Phase II study that can reduce the development time for the program and bring ALDR in-line with the competition. Data from this study is anticipated in H1:17. We note that the initial approval ALD403 will be for the IV formulation but we expect approval of the subcutaneous formulation shortly thereafter. Pivotal data from the competitive programs are expected to be on a similar timeline and we think BLAs for the four programs could be filed in 2017.
- **Increasing TP to $50 from $34:** We increased the probability of success for the ALD403 program to 65% from 60%, increased the market penetration in the migraine space for all CGRP therapies to 30% from 20%, and increased the market share for ALD403 in episodic migraine setting to 20% from 15%.

Rating	**OUTPERFORM* [V]**
Price (18 May 15, US$)	40.02
Target price (US$)	(from 34.00) 50.00[1]
52-week price range	40.02 - 9.91
Market cap. (US$ m)	1,519.01
Enterprise value (US$ m)	1,330.92

**Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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Financial and valuation metrics

Year	12/14A	12/15E	12/16E	12/17E
EPS (CS adj.) (US$)	0.30	-1.72	-1.91	-2.18
Prev. EPS (US$)	—	—	-2.10	—
P/E (x)	132.2	-23.3	-20.9	-18.4
P/E rel. (%)	728.9	-130.2	-131.7	-129.7
Revenue (US$ m)	54.7	2.1	15.5	15.5
EBITDA (US$ m)	9.5	-64.9	-81.8	-97.8
OCFPS (US$)	-1.62	-1.33	-0.46	-2.39
P/OCF (x)	-18.0	-30.2	-86.9	-16.8
EV/EBITDA (current)	136.1	-19.9	-15.8	-13.2
Net debt (US$ m)	-47	-188	-405	-296
ROIC (%)	71.22	3,978.64	137.98	223.03

Number of shares (m)	37.96	IC (current, US$ m)	12.36
BV/share (Next Qtr., US$)	5.8	EV/IC (x)	-419.6
Net debt (Next Qtr., US$ m)	-224.2	Dividend (current, US$)	—
Net debt/tot eq (Next Qtr., %)	-101.4	Dividend yield (%)	—

Source: Company data, Credit Suisse estimates

ALD403 Emerging Profile Appears Differentiated

We believe that ALD403 is starting to develop the best-in-class product profile relative to the other agents in development. We believe the product profiles will become increasingly important since the four different programs have demonstrated statistically significant efficacy in past studies and are likely to repeat this success in future studies. We outline the profile for ALD403 below.

(1) **Rapid onset of action:** It appears that ALD403 drives the maximum benefit within the first month of therapy and is able to maintain that benefit thereafter. ALD403's rapid activity within one month may prove to be even more of a competitive advantage if earlier time points are measured (less than 30 days).

In a side-by-side comparison of ALDR and LLY Phase II data previously presented by competitor TEVA (Exhibit 1 top graphs), the ALDR data shows more rapid and complete activity in the first month (Exhibit 1 top right graph). The profiles reported for LLY's (Exhibit 1 top left graph) and AMGN's (Exhibit 1 bottom graph) therapies in episodic migraines suggest that the peak efficacy is not reached until the second month for the therapies.

Exhibit 1: Mean reduction is migraine days for ALDR, LLY, and AMGN programs in episodic migraines

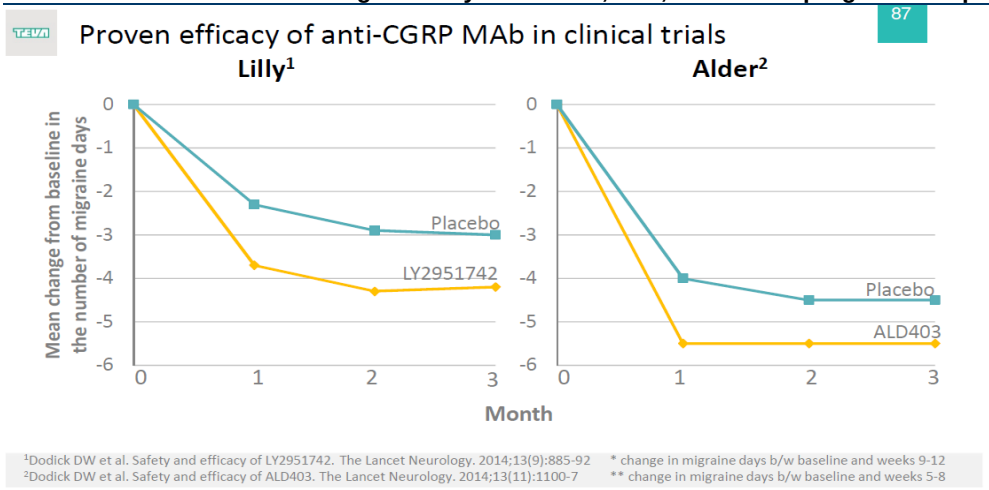
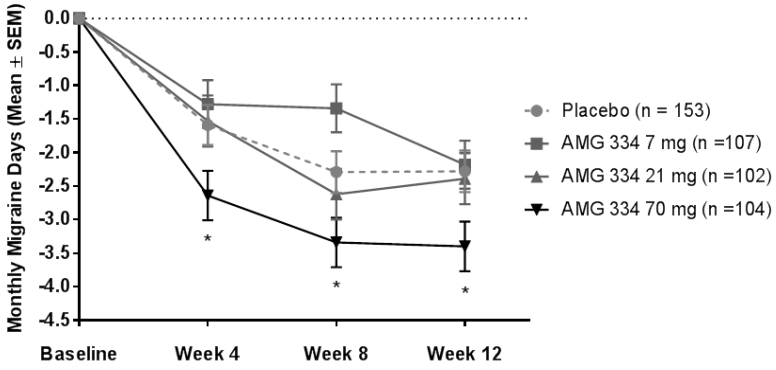


Figure. Change From Baseline in Mean Monthly Migraine Days



* $P < 0.05$, n=number of subjects in analysis set

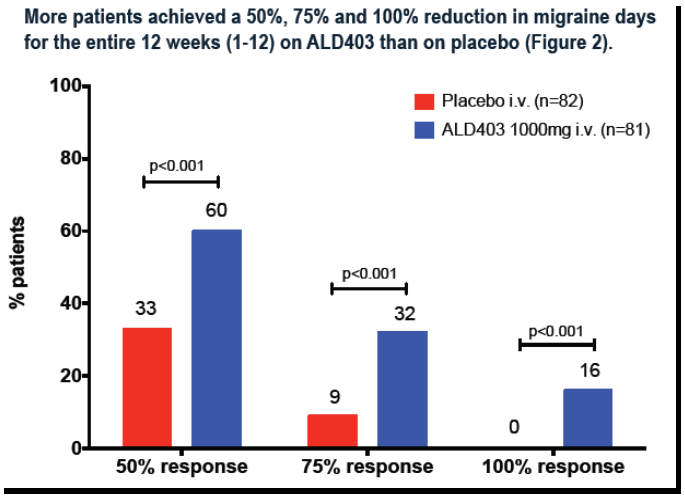
Source: Company data

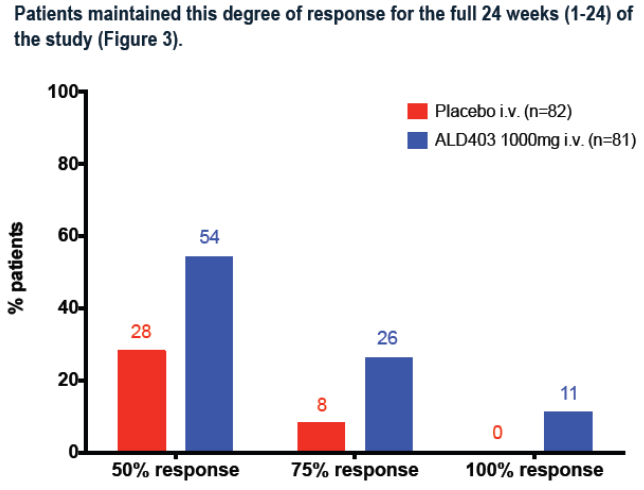
(2) **IV or subcutaneous administration:** ALDR believes there is a need for both IV and subcutaneous formulations, separately or by combining the two. It may be possible to use the IV formulation for induction for rapid onset of action followed by long-term chronic subcutaneous therapy. ALDR estimates that the subcutaneous formulation has approximately 72% absolute bioavailability (promising bioavailability for an antibody), suggesting that it will be an effective route of delivery. All three competitors are looking at the subcutaneous routes of administration in late stage studies.

(3) **Quarterly dosing:** Ideally, ALDR would like to be able to achieve a quarterly infusion regimen using the IV and subcutaneous formulations. The durable responses reported for three months suggests that once quarterly dosing is possible (Exhibit 2 left figure). In contrast, the three competitive companies are examining once monthly dosing in its ongoing studies. Even if ALDR cannot achieve quarterly dosing, we believe it will be able to easily extend its dosing beyond once monthly dosing.

(4) **Durability is promising:** The 12-week and 24-week data for ALD403 sets a high bar for the other programs, with fairly consistent responses at three months and six months. LLY reported its durability data for the first time at IHS. LLY's therapy provided a sustained ≥50%, ≥75%, and 100% response of 47% vs. 25%, 22% vs. 13%, and 11% vs. 2%, respectively at three months. This is lower than what ALDR reported for both the 12-week and 24-week time points (Exhibit 2 both left and right figure; placebo correct scores in tables below). It is too early to determine how durable the AMGN and TEVA therapies are, but if this durability holds up for ALD403 relative to the other two therapies, this could be a key point for its marketing effort.

Exhibit 2: ALD403 provides sustained migraine relief for 3 months and 6 months (Phase IIa results)





Placebo adjusted	ALD403	LY2951742
50% responder (month 3)	28%	22%
75% responder (month 3)	24%	9%
100% responder (month 3)	16%	9%

Placebo adjusted	ALD403	LY2951742
50% responder (month 6)	26%	NA
75% responder (month 6)	18%	NA
100% responder (month 6)	11%	NA

Source: Company data, Credit Suisse estimates

Snapshot of the competitive landscape

- **Target:** The drugs from ALDR, LLY, and TEVA are most similar, all targeting soluble CGRP. AMGN's program is different and targets the CGRP receptor. This could provide unexpected benefits relative to the therapies targeting the ligand, but it could also cause unexpected side effects by affecting the biology of the receptor.
- **Episodic vs Chronic migraines:** We have seen clinical efficacy results from all four programs, and all four drugs showed substantial reductions in key primary and secondary endpoints. Three programs have demonstrated significant results in the episodic migraine space (ALDR, AMGN, and LLY) and only TEVA has reported significant results for the chronic migraine space. We are encouraged that the TEVA program reported reversion of nearly 60% of the patients in the study to episodic phase from the chronic phase, and this suggests that ALDR may observe the same trend in its chronic migraine study.
- **Stage:** Both AMGN and TEVA moved aggressively ahead of the pack with large Phase II trials in high-frequency episodic and chronic migraine. However, the race has tightened, and ALDR has plans to start a pivotal study in H2:15 that includes both episodic and chronic migraine patients and LLY recently started Phase III studies in cluster headache patients. AMGN and TEVA have yet to announce detailed plans for pivotal studies but we expect the companies will start pivotal studies by YE:15.

Exhibit 3: Competition in the CGRP inhibitor space

Company	Drug	MOA	Stage
Amgen	AMG 334	Anti-CGRP receptor	Phase 2b
Alder	ALD403	Anti-CGRP	Pivotal Phase 2b to start H2:15
Eli Lilly	LY2951742	Anti-CGRP	Phase 3
Teva (Labrys)	TEV-48125 (LBR-101, RN-307)	Anti-CGRP	Phase 2b

Source: Company data, Credit Suisse estimates

Available data from all the programs

Data released from AMGN and TEVA at the International Headache Society meeting late last week help de-risk the entire drug class and suggest that these agents will likely be used broadly in the treatment of episodic and chronic migraines. A thorough look at all the available data is below in Exhibit 4.

Exhibit 4: Data available for the four different programs

	ALD403	LY2951742	AMG 334	TEV-48125	TEV-48125
# of pts in study	163	208	483	261	
Dose and schedule	1,000 mg intravenous once	150mg subcutaneous every 2 weeks‡	70 mg subcutaneous monthly	675mg loading dose then 225mg subcutaneous monthly	900 mg subcutaneous monthly
Setting	Episodic (5-14 days/month)	Episodic (4-14 days/month)	Episodic (4-14 days/month)	Chronic migraine	Chronic migraine
Baseline migraine days	8.5 days/month (ALD403) & 8.8 days/month for placebo	6.7 days/month (LY2951742) & 7.0 days/month for placebo	8.7 days/month (all patients)	17 days/month (all patients)	17 days/month (all patients)
Baseline headache days	9.2 days/month (ALD403) & 9.6 days/month for placebo	8.6 days/month (LY2951742) & 9.1 days/month for placebo	NA	21 days/month (all patients)	21 days/month (all patients)
Decrease in MMD	-5.6 (66%) vs. -4.6 (52%)	-4.2 (62.5%) vs. -3.0 (42%)	-3.4 (39%) vs -2.3 (26%)	NA	NA
50% responder (month 1)	75% vs. 50%	58% vs. 37%	NA	NA	NA
50% responder (month 2)	76% vs. 54%	66% vs. 44%	NA	NA	NA
50% responder (month 3)	75% vs. 67%	70% vs. 45%	47% vs 30%	53% vs 31%*	54% vs 31%*
75% responder (month 3)	53% vs 31%	NA	NA	28% vs 16%*	32% vs 16%*
100% responder (month 3)	41% vs. 16%	33% vs. 17%	NA	~15% for TEV-48125 (placebo no reported)	

*Source: Company data; ‡ LLY is now examining once monthly dosing in its Phase III studies; *taken from graph presented at IHS*

Overview of the development outline for each program

- **ALDR's ALD403:** ALDR recently announced plans to start a pivotal study in the second half of this year. This moves the ALD403 program in line with the three other agents. Additionally, this study will include both chronic and episodic migraine patients, thereby reducing the capital required to conduct the pivotal program. While this is an aggressive strategy, we believe it is a reasonable approach given that the study will enroll between 800-1000 patients and likely to include at least 200 patients at the optimal dose.
- **LLY's LY2951742:** LLY is taking a different tack with its Phase III program than the other three companies. It is looking at patients with cluster headaches, which is a distinct subset of the overall migraine population. This may allow LLY to reach the market with smaller studies but this also could limit the scope of the label. LLY can also start pivotal studies soon in the general chronic and episodic migraine settings to supplement its pivotal program.
- **AMGN's AMG 334:** AMGN announced last December that it plans to start Phase III studies soon and the company may decide to run two separate Phase III studies (one in chronic migraines and another in episodic migraines) or combine the two groups into one pivotal study like ALDR.
- **TEVA's TEV-48125:** We expect TEVA will start pivotal clinical work shortly after reporting the data from its episodic migraine study due H2:15. It may run two studies or combine the two groups into a single study as well.

Exhibit 5: Clinical Development Program for All Four Programs

ALDR - ALD403

	ALD403-CLIN-002	ALD403-Clin-005	ALD403-Planned Pivotal Study	ALD403-Planned
Stage	Phase Ib	Phase II	Phase II	Phase II
# of patients	163	600	800-1000	240
Indication	High frequency episodic migraine	Chronic migraine	Episodic & Chronic migraine	High frequency episodic migraine
Migraine days per month	5-14 migraine days / month	15-25 migraine days / month	≥5 migraine days / month	5-14 migraine days / month
Treatment arms	ALD403 (1g) vs. placebo	ALD403 (4 doses) vs. placebo	ALD403 (multiple doses) vs. placebo	ALD403 (multiple doses) vs. placebo
Dosing	IV infusion (1x)	IV infusion	IV infusion (quarterly)	SubQ (quarterly)
Duration	12 weeks	12 weeks	12 weeks	12 weeks
Primary endpoint	Safety	Change in migraine days from baseline	Change in migraine days from baseline	Change in migraine days from baseline
Secondary endpoints	PK, efficacy	Safety, PK	NA	NA
Start	Jan-13	Oct-14	H2:15	H2:15
Primary completion	Dec-13	Dec-15	NA	NA
Status	Data presented	Enrolling	Not yet on ClinicalTrials.gov	Not yet on ClinicalTrials.gov
Identifier	NCT01772524	NCT02275117	NA	NA
Timing of data	**Data presented at AAN 2014**	**Data H2:15**	**Data H1:17**	**Data H2:16**

LLY - LY2951742

	ART-01	15414	15781	15780
Stage	Phase II	Phase IIb	Phase III	Phase III
# of patients	190	402	162	162
Indication	High frequency episodic migraine	Episodic migraine	Chronic cluster headache	Episodic cluster headache
Migraine days per month	4-14 migraine days / month	(# not defined)	---	---
Treatment arms	LY2951742 (150mg) vs. placebo	LY2951742 (4 doses) vs placebo	LY2951742 (12 doses) vs placebo	LY2951742 (12 doses) vs placebo
Dosing	subcutaneous every 2 weeks	subcutaneous every 4 weeks	subcutaneous every 4 weeks	subcutaneous every 4 wks for 8 wks total
Duration	12 weeks	12 weeks	12 months	8 weeks
Primary endpoint	Change from baseline in number of migraines in a 28d period	Change from baseline in number of migraine days in a 28d period	Change from baseline in weekly cluster headache attack frequency at week 4	Change from baseline in weekly cluster headache attack frequency at week 8
Start	Jun-12	Jul-14	Jun-15	May-15
Primary completion	Sep-13	Aug-15	Aug-16	May-16
Status	Data reported at AAN 2014	Completed enrollment	Enrolling	Enrolling
Identifier	NCT01625988	NCT02163993	NCT02438826	NCT02397473
Timing of data	**Data presented at AAN 2014**	**CS estimate: H2:15**	**CS estimate: H2:16**	**CS estimate: H2:16**

AMGN - AMG 334

	20120178	20120295	20130255	Pivotal Studies
Stage	Phase II	Phase II	Phase II	Phase III
# of patients	483	490	490	
Indication	High frequency episodic migraine	Chronic migraine	Chronic migraine: Long-term safety	Likely chronic migraine and high frequency episodic migraine patients
Migraine days per month	4-14 migraine days / month (past 3 months)	≥15 migraine days / month	Open label extension of study 20120295	TBD
Treatment arms	AMG 334 (3 doses) vs. placebo	AMG 334 (SC, 2 doses) vs. placebo	Open label AMG 334	AMG 334 vs placebo
Dosing	Not disclosed	Not disclosed	Not disclosed	TBD
Duration	12 weeks	12 weeks	10 months (open label)	Likely 12 weeks
Primary endpoint	Change in monthly migraine days from baseline to last 4 wks of 12 wks dosing	Change in monthly migraine days from baseline to last 4 wks of 12 wks dosing	Safety	Likely 12 week endpoint
Secondary endpoints	50% responder analysis	50% responder analysis	50% responder analysis	TBD
Start	Aug-13	Feb-14	Jun-14	H2:15
Primary completion	Aug-14	Feb-16	Sep-16	NA
Status	Completed enrollment Jul 2014	Enrolling	Enrolling	Not yet on ClinicalTrials.gov
Identifier	NCT01952574	NCT02066415	NCT02174861	NA
Timing of data	**Data at IHS May 15, 2015**	**CS estimate: 2016**	**CS estimate: 2016**	**CS estimate: 2017**

TEVA - TEV48125 (LBR101)

	LBR-101-022	LBR-101-021	Pivotal Studies
Stage	Phase II	Phase II	Phase III
# of patients	319	225	TBD
Indication	High frequency episodic migraine	Chronic migraine	Likely chronic migraine and high frequency episodic migraine patients
Migraine days per month	8-14 migraine days / month	≥15 migraine days / month	TBD
Treatment arms	TEVA48125 high and low dose vs. placebo	TEVA48125 high and low dose vs. placebo	TEVA48125 vs. placebo
Dosing	Monthly subcutaneous	Monthly subcutaneous	TBD
Duration	12 weeks	12 weeks	Likely 12 weeks
Primary endpoint	Change from baseline in number of migraine days in a 28d period	Mean change in headache hours	TBD
Start	Jan-14	Jan-14	H2:15
Primary completion	Jan-15	Feb-15	NA
Status	Completed	Completed	Not yet on ClinicalTrials.gov
Identifier	NCT02025556	NCT02021773	NA
Timing of data	**Topline data released May 15, 2015**	**Data at IHS May 15, 2015**	**CS estimate: 2017**

Source: Company data, Credit Suisse estimates, ClinicalTrials.gov

New $50 target price

We are raising our target price to $50 from $34. The primary changes to our model include: (1) increase in the market penetration by the CGRP antibodies in migraine to 30% from 20% for both episodic and chronic migraines, (2) an increase in the expected market share for ALD403 to 20% from 15% in episodic migraines (9-14 migraines), and (3) increase the probability of success for ALD403 to 65% from 60%.

We assume ALDR will raise money in mid:16. Our DCF gets us to $50 assuming additional dilution (with no credit for the added cash).

Exhibit 6: $50 Target Price

Program	NPV ($M)	Sales ($M)	POS	Per share (w raise)
ALD403	$2,265	$1,668	65%	$48
Clazakizumab	$84	$510	25%	$2
Total	**$2,349**			**$50**

Source: Company data, Credit Suisse estimates

Exhibit 7: ALDR News Flow

Product	Catalyst	Expected Date	Price Sensitivity
ALD403	Start Phase IIb dose ranging study in frequent episodic migraine patients (IV)	H2:15	Low
ALD403	Start pivotal Phase IIb dose ranging study in episodic and chronic migraine patients (IV)	H2:15	Low
ALD403	Phase IIb primary endpoint data in chronic migraine (IV)	H2:15	High
ALD403	Phase I data for quarterly self administration	H2:15	Medium
Clazakizumab	Potential development partner	H2:15	High
ALD1613	Initiate Phase I for Cushing's disease program	2016	Low
ALD403	Data from study in frequent episodic migraine study	H2:16	Low
ALD403	Data from pivotal study	H1:17	High

Source: Company data, Credit Suisse

Exhibit 8: ALDR Pipeline

Drug	Target	Indication	Stage	Partner
ALD403	CGRP	Migraine	Phase II	Proprietary
Clazakizumab	IL-6	Rheumatoid Arthritis	Phase IIb	Proprietary
		Psoriatic Arthritis	Phase II	Proprietary
ALD1613	ACTH	Cushing's disease	Phase I in 2016	Proprietary
4 preclinical programs	TBA	TBA	Preclinical	Proprietary

Source: Company data, Credit Suisse

Exhibit 9: ALDR Model

	2013A	2014A	Q1:15A	Q2:15E	Q3:15E	Q4:15E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Revenues														
US sales of ALD403											32.4	168.6	394.7	547.5
Ex-US royalies on ALD403												0.7	6.3	23.7
Royalties on Clazakizumab											1.4	3.1	6.5	10.4
Collaboration and license agreement	18.8	54.7		0.7	0.7	0.7	2.1	15.5	15.5	79.9	120.0	12.0	6.0	
Total Revenues	**18.8**	**54.7**		**0.7**	**0.7**	**0.7**	**2.1**	**15.5**	**15.5**	**79.9**	**153.8**	**184.4**	**413.5**	**581.6**
Expenses														
Cost of goods											3.2	16.9	39.5	54.8
Research and development	31.9	33.4	11.0	11.5	14.0	15.0	51.5	74.0	90.0	92.0	87.0	77.0	75.0	72.0
Sales, general, administrative	7.7	12.5	3.7	4.0	4.2	4.3	16.2	24.0	24.0	26.0	35.0	40.0	45.0	40.0
Total Operating Expenses	**39.6**	**45.9**	**14.7**	**15.5**	**18.2**	**19.3**	**67.7**	**98.0**	**114.0**	**118.0**	**122.0**	**117.0**	**120.0**	**112.0**
Operating income (loss)	(20.8)	8.8	(14.7)	(14.8)	(17.5)	(18.6)	(65.6)	(82.5)	(98.5)	(38.1)	31.8	67.4	293.5	469.6
Total Other Income (Expense)	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.2	0.2	0.2	0.2	0.2
Pre Tax Income	(20.6)	8.9	(14.7)	(14.8)	(17.5)	(18.6)	(65.5)	(82.4)	(98.4)	(37.9)	32.0	67.6	293.7	469.8
Income tax													102.8	164.4
Net Income	**(20.6)**	**8.9**	**(14.7)**	**(14.8)**	**(17.5)**	**(18.6)**	**(65.5)**	**(82.4)**	**(98.4)**	**(37.9)**	**32.0**	**67.6**	**190.9**	**305.4**
EPS - basic (proforma)	($3.84)	$0.43	($0.40)	($0.38)	($0.45)	($0.48)	($1.72)	($2.10)	($2.18)	($0.82)	$0.69	$1.44	$4.03	$6.39
EPS - diluted (proforma)	($3.84)	$0.30	($0.40)	($0.38)	($0.45)	($0.48)	($1.72)	($2.10)	($2.18)	($0.82)	$0.65	$1.35	$3.76	$5.94
Shares outstanding - basic (proforma)	21.89	20.51	36.90	38.44	38.64	38.83	38.20	39.32	45.15	45.94	46.40	46.86	47.33	47.81
Shares outstanding - diluted (proforma)	21.89	29.43	36.90	38.44	38.64	38.83	38.20	39.32	45.15	48.92	49.53	50.15	50.79	51.43

Source: Company data, Credit Suisse estimates

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Companies Mentioned *(Price as of 18-May-2015)*

Alder Biopharmaceuticals (ALDR.OQ, $40.02, OUTPERFORM[V], TP $50.0)

Disclosure Appendix

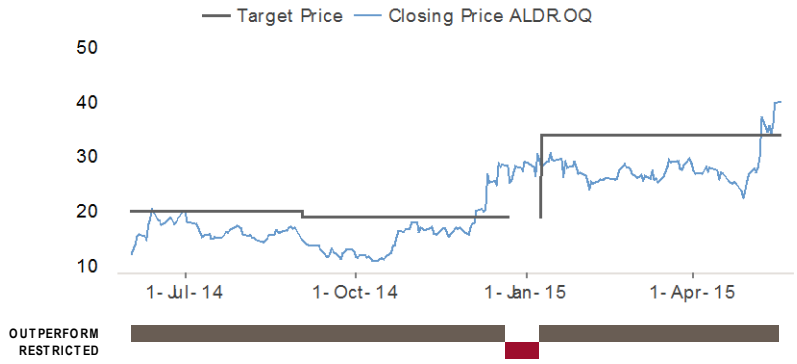
Important Global Disclosures

I, Jeremiah Shepard, PhD, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Alder Biopharmaceuticals (ALDR.OQ)

ALDR.OQ	Closing Price	Target Price	
Date	(US$)	(US$)	Rating
02-Jun-14	12.26	20.00	O *
02-Sep-14	14.80	19.00	
22-Dec-14	28.33		R
09-Jan-15	29.39	34.00	O
05-May-15	27.16	34.00	*

** Asterisk signifies initiation or assumption of coverage.*



The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.*

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Price Target: (12 months) for Alder Biopharmaceuticals (ALDR.OQ)

Method: Our $50 valuation is justified by a fully-taxed, probability weighted, product level DCF for ALD403 and the estimated value for a partnership for clazakizumab. We assume an ex-US partner for ALD403 and significant dilution from future equity raises prior to profitability.

Risk: Risks to our $50 TP include: 1) unexpected negative result for proprietary clinical programs, 2) financing risk from expected future equity raises, and 3) significant delay in one or more clinical programs that pushes potential approval timeline(s) out.

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See the Companies Mentioned section for full company names

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