March 4, 2015

OUTPERFORM

Reason for report:

EARNINGS

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LEERINK

ALDER BIOPHARMACEUTICALS, INC.

4Q Recap: '403 Migraine Program Set to Accelerate Pending Further Announcements

• **Bottom Line:** Wednesday after the close, ALDR announced 4Q14 EPS of (0.22) that was slightly below our estimates of (0.19) largely due to a higher OpEx spend of $13.4M (vs. our estimates of $12.2M). With the recent $204M equity raise in Jan. '15 included, we are updating our model to reflect an accelerating pace of pipeline developments in 2015, particularly in: (a) '403 program expansion to frequent/episodic migraine, and (b) addition of a new asset '1613 in Cushing's Disease, which altogether increases our PT to $31 (from $24). **Reiterate OP.**

• **Ph. IIb '403 600-pts chronic migraine study continues to enroll nicely with all trial sites registered and set to generate top-line data in 2H15.** Mgmt. noted it is pursuing most severe patient subset (>15 migraines/month) as against its competitors pursuing 10-15 migraines/month in this RCT, and will specifically be looking at primary endpoint of change in migraine days at week 12 b/w '403 and placebo. This follows the impressive Ph. IIa 163-pts dataset showing 100% decrease in migraine days/month for 26-41% of pts depending on months observed, which was widely disseminated in medical publication/meeting in 2H14.

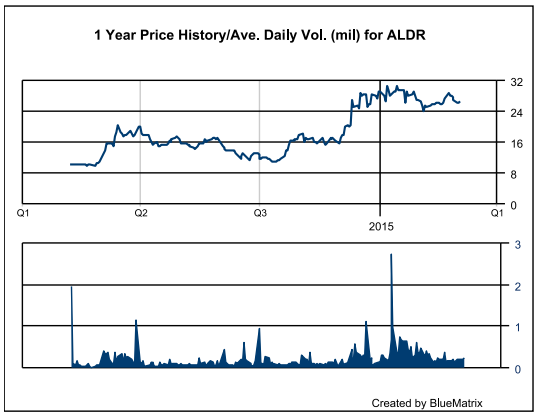
• **Ph. IIb '403 300-pts dose-ranging trial in episodic/frequent migraine is on track to initiate by end of 2Q15.** Management expects to announce shortly its plans to "go bigger and faster," and we wonder whether this means pursuing the IV formulation in both indications first in order for ALDR to retain its first-mover advantage. Having received continual FDA input, ALDR expects these two studies to potentially contribute to the 100 pts 12-months dosing and 300 pts 6-months dosing safety datasets that will be required as part of its final BLA filing following the Ph. III trial, which remains on track to initiate in 2016.

• **Potential partnership announcement after Ph. IIb Clazakizumab data in Rheumatoid Arthritis in 2Q15 could provide upside.** BMY (OP) will fund claza's development through June '15; we believe very little value is currently given to this anti IL-6 mAb since ALDR regained development rights in Sep '14, following positive ACR20 (16-wks) data reported in Psoriasis Arthritis at AACR '14 in Nov '14.

• **New candidate, ALD1613, for Cushing's disease is in the midst of advancing through IND-enabling toxicology studies and expected to commence Ph. I testing in 2016.** Recall that Cushing's is an orphan disease driven by long-term exposure to cortisol as a result of increased expression of Adrenocorticotropic hormone (ACTH) produced by a pituitary tumor, and aligns nicely with ALDR's strategic goal to pursue its low immunogenic antibody platform in indications with high level of unmet need. We believe ALD1613 could be another category killer in this indication by completely ablating cortisol, versus other agents on the market and in the industry pipeline which have a more modest effect.

Key Stats:	**(NASDAQ:ALDR)**
S&P 600 Health Care Index:	**1,591.00**
Price:	**$26.62**
Price Target:	$31.00 from $24.00
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):	37.0
Market Capitalization (mil):	$984.9
Cash Per Share:	$6.67
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**	**60.5x**
2015E - New	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.37)**	**(0.39)**	**(0.40)**	**(0.42)**	**(1.58)**	**NM**
2015E - Old	0.0	0.0	0.0	0.0	0.0	(0.44)	(0.46)	(0.48)	(0.49)	(1.87)	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 6 - 9 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 moving into a dose-ranging Phase IIb trial which we expect will support the advancement into two pivotal Phase IIIs. 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 $31 price target for ALDR shares in 12 months, which assigns ~$18/share to ALD403, ~$4/share to Clazakizumab, ~$3/share to the pipeline and the rest to net cash. We model peak gross ALD403 US revenues of $1.25bn (~$750MM risk adjusted, using a 60% probability of approval) in 2025E. We assume peak ex-US risk-adjusted sales of ~$340MM (2025E), 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.

Alder P&L ($MM except EPS)	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
ALD403 US Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**	**28.4**
Cost of Goods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	20.1	18.8	4.8	4.7	38.8	6.4	54.7	-	-	-	-	-	15.0	15.0	28.4
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)	(86.2)
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	1.3
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)	(84.9)
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)**	**(84.9)**
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)	$ (1.88)
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)	$ (1.88)
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**	**(74.9)**
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**	**258.4**
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	258.4
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)**	**(49.9)**
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)	(84.9)
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	37.0
Discount Rate	12%
Terminal Growth Rate	2.5%
ALD403 Approval Probability	60%
Clazakizumab Approval Probability	30%

ALDR Valuation	Per/Share	Val ($MM)	% Total
Total	**$ 31.24**	**$ 1,156**	100%
ALD403	$ 18.36	$ 679	59%
Clazakizumab	$ 3.47	$ 128	11%
Pipeline	$ 2.74	$ 101	9%
Net Cash 1Q15E	$ 6.67	$ 247	21%

ALD403	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
US Sales ($MM)	-	-	-	-	-	-	**73.3**	**176.0**	**323.1**	**498.1**	**670.1**	**716.7**	**750.4**	**638.8**	**500.1**	**403.6**	**271.5**	**102.7**	
Ex US Royalties/Milestones ($MM)	-	-	-	-	-	-	-	**2.6**	**12.1**	**26.1**	**45.2**	**48.4**	**50.7**	**43.1**	**33.8**	**27.2**	**18.3**	**6.9**	
COGS	-	-	-	-	-	-	11.0	26.4	48.5	74.7	100.5	95.1	96.0	75.6	52.2	36.0	19.3	3.8	
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	98.1	123.7	166.4	202.9	220.6	195.0	168.3	141.1	67.9	23.2	
Other Income (Expense)	-	-	-	-	-	-	1.5	1.9	2.7	3.8	5.2	6.2	7.6	8.4	8.5	8.2	7.1	3.9	
EBT	(34.2)	(40.0)	(48.6)	(63.4)	(83.5)	(93.2)	(37.3)	33.8	166.3	311.2	433.4	452.1	475.3	402.2	303.4	242.6	189.5	65.3	
Tax	-	-	-	-	-	-	-	-	12.6	63.1	106.9	121.7	129.0	108.7	83.8	67.2	43.4	14.4	
Net Income	(34.2)	(40.0)	(48.6)	(63.4)	(83.5)	(93.2)	(37.3)	33.8	153.7	248.2	326.5	330.4	346.3	293.5	219.6	175.3	146.1	50.9	
SOE+CapEx+Non Cash Adj.	-	-	-	-	-	-	0.9	4.3	4.0	7.2	8.5	9.3	11.2	11.5	12.2	13.4	12.5	8.5	
Free Cash Flow	(34.2)	(40.0)	(48.6)	(63.4)	(83.5)	(93.2)	(36.4)	38.1	157.7	255.4	335.0	339.7	357.5	305.0	231.8	188.7	158.6	59.3	
Discount Periods	-	-	-	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	
NPV FCF	-	-	**(48.6)**	**(56.6)**	**(66.6)**	**(66.4)**	**(23.1)**	**21.6**	**79.9**	**115.5**	**135.3**	**122.5**	**115.1**	**87.7**	**59.5**	**43.2**	**32.4**	**10.8**	**116.9**

ALD403 Valuation	**$ 679**

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	5.3	6.7	9.0	11.0	12.0	11.1	9.9	9.4	8.0	6.0	
Other Income (Expense)	-	0.1	0.0	(0.4)	1.7	1.3	0.7	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.2	
EBT	(0.5)	(0.8)	(0.9)	8.9	(0.3)	28.1	30.8	27.8	32.8	28.1	31.6	21.4	19.6	17.6	15.9	13.5	10.2	1.0	
Tax	-	-	-	-	-	-	-	-	1.4	4.2	6.0	5.1	5.0	4.5	4.0	3.5	2.7	0.9	
Net Income	(0.5)	(0.8)	(0.9)	8.9	(0.3)	28.1	30.8	27.8	31.4	24.0	25.5	16.3	14.6	13.1	11.9	10.0	7.6	0.1	
SOE+CapEx+Non Cash Adj.	-	(0.4)	1.4	1.2	1.2	1.3	0.4	0.8	0.5	0.5	0.5	0.4	0.4	0.5	0.6	0.7	0.8	0.5	
Free Cash Flow	(0.5)	(1.2)	0.4	10.0	0.9	29.4	31.2	28.5	31.9	24.4	26.0	16.6	15.0	13.6	12.5	10.7	8.3	0.6	
Discount Periods	-	-	-	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	
NPV FCF	-	-	**0.4**	**9.0**	**0.7**	**20.9**	**19.8**	**16.2**	**16.1**	**11.1**	**10.5**	**6.0**	**4.8**	**3.9**	**3.2**	**2.4**	**1.7**	**0.1**	**1.3**

Clazakizumab Valuation	**$ 128**

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	16.5	20.2	22.8	24.5	21.5	11.6	
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	-	-	-	-	-	-	-	-	3.2	4.0	5.4	6.6	7.2	15.5	19.8	37.6	84.5	90.1	
Other Income (Expense)	-	-	-	-	-	-	-	-	-	-	-	0.8	1.3	2.3	3.7	5.5	7.9	12.0	
EBT	(4.8)	(5.0)	(9.0)	(9.9)	(11.4)	(25.0)	(34.4)	(45.5)	(61.5)	(77.4)	(86.1)	(2.8)	20.9	49.2	90.3	127.4	109.7	128.5	
Tax	-	-	-	-	-	-	-	-	-	-	-	-	22.2	29.0	36.6	45.8	48.3	44.6	
Net Income	(4.8)	(5.0)	(9.0)	(9.9)	(11.4)	(25.0)	(34.4)	(45.5)	(61.5)	(77.4)	(86.1)	(2.8)	(1.3)	20.2	53.7	81.6	61.4	83.9	
SOE+CapEx+Non Cash Adj.	-	-	-	-	-	-	-	-	-	-	-	1.2	1.9	3.1	5.3	9.1	13.9	26.1	
Free Cash Flow	(4.8)	(5.0)	(9.0)	(9.9)	(11.4)	(25.0)	(34.4)	(45.5)	(61.5)	(77.4)	(86.1)	(1.6)	0.6	23.3	59.0	90.7	75.3	110.0	
Discount Periods	-	-	-	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	
NPV FCF	-	-	**(9.0)**	**(8.8)**	**(9.1)**	**(17.8)**	**(21.9)**	**(25.8)**	**(31.2)**	**(35.0)**	**(34.8)**	**(0.6)**	**0.2**	**6.7**	**15.1**	**20.8**	**15.4**	**20.1**	**216.9**

Pipeline/Platform Valuation	**$ 101**

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

Alder Biopharma Milestones

Product	Catalyst	Timing
ALD403	Phase IIb IV Initiation	3Q14
Clazakizumab	Phase II Psoriatic Arthritis Data	4Q14 - ACR
ALD403	Phase IIb IV/SQ Initiation	1H15
Clazakizumab	Phase IIb Rheumatoid Arthritis Data	1H15
Clazakizumab	Potential Partnership	mid-2015
ALD403	Phase IIb Data	2H15
ALD403	Phase III Initiation	1H16
ALD1613	Phase I Initiation	1Q16
ALD403	FDA/EMA Approval	2019

Source: SEC Filings and Leerink Partners Research

Disclosures Appendix

Analyst Certification

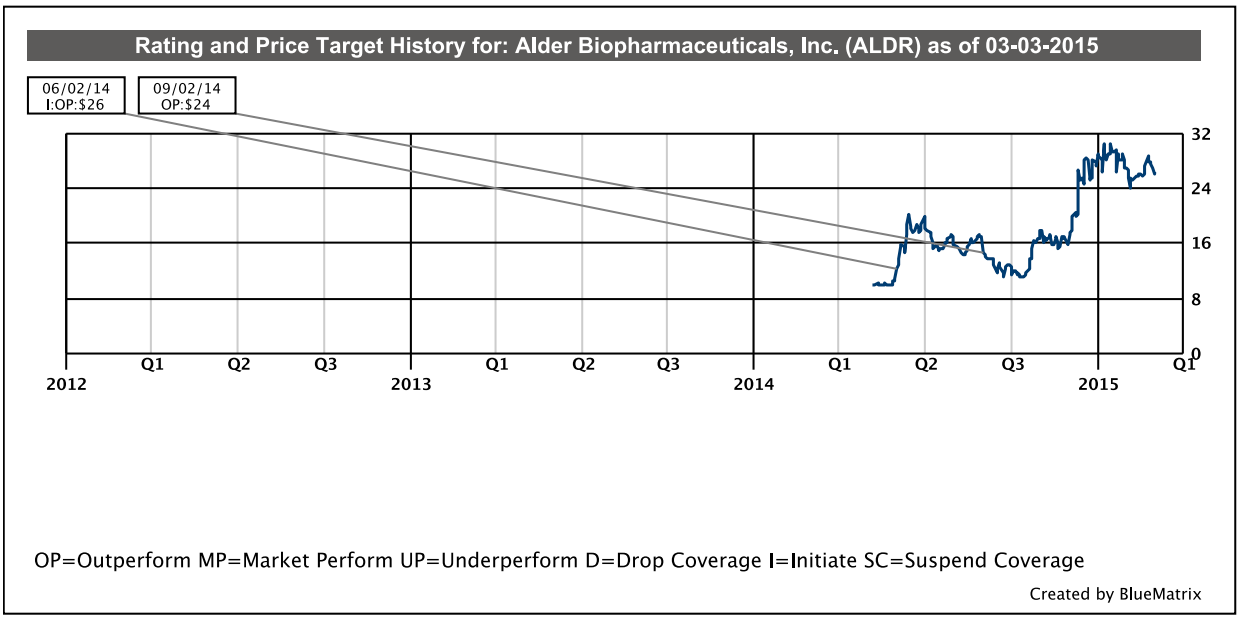
I, Joseph P. Schwartz, certify that the views expressed in this report accurately reflect my views and that no part of my compensation was, is, or will be directly related to the specific recommendation or views contained in this report.

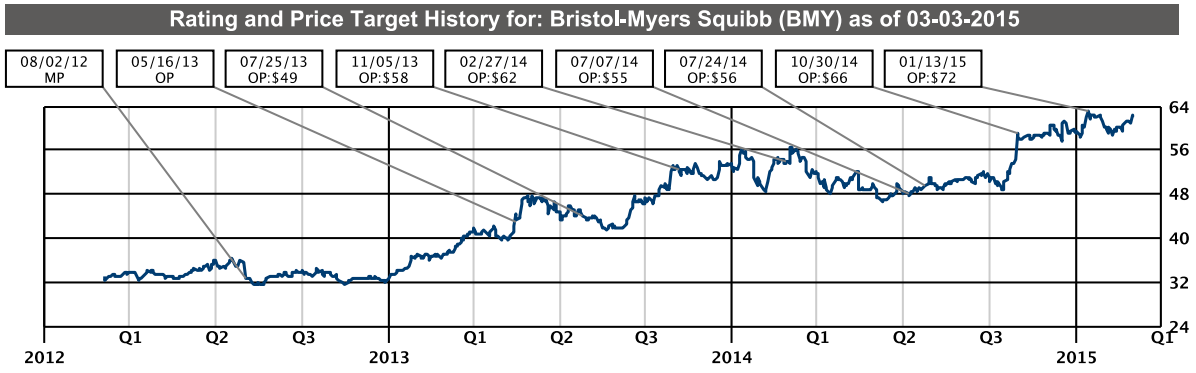
Valuation

We derive a $31 price target for ALDR shares in 12 months, which assigns ~$18/share to ALD403, ~$4/share to Clazakizumab, ~$3/share to the pipeline and the rest to net cash. We model peak gross ALD403 US revenues of $1.25bn (~$750MM risk adjusted, using a 60% probability of approval) in 2025E. We assume peak ex-US risk-adjusted sales of ~$340MM (2025E), 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.





Leerink Swann placed an Outperform rating on BMY on June 11, 2010. 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

Created by BlueMatrix

Distribution of Ratings/Investment Banking Services (IB) as of 12/31/14				
			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OP]	150	70.00	61	41.00
HOLD [MP]	64	30.00	0	0.00
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.

Leerink Partners LLC is willing to sell to, or buy from, clients the common stock of Bristol-Myers Squibb 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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