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OUTPERFORM

Joseph P. Schwartz
(617) 918-4575
Joseph.Schwartz@Leerink.com

LEERINK

Reason for report:

EARNINGS

ALDER BIOPHARMACEUTICALS, INC.

1Q Recap: ALD403 Pivotal Plans Unveiled; Even Better Than Our Expectations

• **Bottom Line:** Today after the close ALDR reported 1Q financial results and presented an updated development plan for ALD403 which is even more accelerated and substantive than we had anticipated in our preview [LINK]. We are encouraged by the robust science that mgmt. is employing to guide dosing in a well-designed trio of studies which may be sufficient for approval of both intravenous (IV) and subcutaneous (SC) formulations of '403 in both chronic migraine (CM) and frequent episodic migraine (EM). We believe the current plan supports potential approval of ALD403 in the US by 2018. **Reiterate Outperform with a PT of $40.**

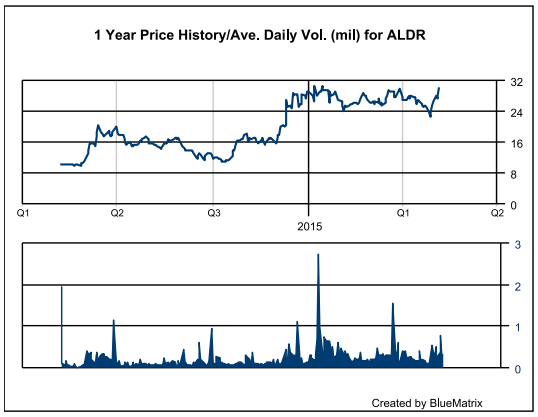
• **Late stage trials for both once-quarterly IV formulation (Ph. 3, 800-1000 chronic + episodic patients) & SC once-quarterly formulation (Ph. 2b, 240 episodic pts) to now initiate in 2H15**. Mgmt. reiterated their ambitious goal to retain their lead against competitors (AMGN [MP], TEVA-T[OP]) in terms of both time to market and differentiated target product profile. ALDR's impressive Ph.1b proof-of-concept dataset showing durable and sustained response from one injection of IV formulation at both 3 and 6 mos. has given mgmt. growing confidence to pursue this revised strategic plan. Top-line data from Ph. 3 CM + EM (IV) trial can now potentially come in 1H17 and from Ph. 2b EM (SQ) trial can possibly come in 2H16. We believe that both have the potential to support registration.

• **Data-rich 2H15E can further strengthen ALDR's lead with readouts from Ph.2b 600-pt CM trial and Ph. 1 once-quarterly SC dose-finding healthy volunteer trial**. The primary endpoint of this Ph. 2b trial is the change in migraine days between '403 and placebo as judged by the difference in the responder rates over a 12-week period. Furthermore, mgmt. is planning to conduct a small, quick Ph. 1 healthy volunteer trial to investigate different dose levels of '403 formulated for quarterly SC self-administration formulation to help with design of Ph. 2b SC episodic migraine trial.

• **Recent success in the Ph. 2b RA (rheumatoid arthritis) trial should allow ALDR to unlock value of Clazakizumab through a strategic partnership**. The endpoint of Disease Activity Score in 28 joints using C-reactive protein (DAS28-CRP) showed stat. sig. at both 5 mg and 25 mg doses of claza. vs. pbo in RA pts who are anti-TNF inadequate responders. ALDR is expected to present full data at a future rheumatology society meeting. We continue to conservatively assume 30% PoS and that ALDR is likely to find a new partner who pays at least 20% royalty on sales given derisking of claza across both psoriasis and RA.

Key Stats:	**(NASDAQ:ALDR)**
S&P 600 Health Care Index:	**1,603.74**
Price:	**$30.19**
Price Target:	$40.00
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):	39.1
Market Capitalization (mil):	$1,180.4
Cash Per Share:	$5.96
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	68.6x
2015E - New	**0.0A**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.40)A**	**(0.42)**	**(0.44)**	**(0.50)**	**(1.75)**	**NM**
2015E - Old	0.0A	0.0	0.0	0.0	0.0	(0.37)	(0.39)	(0.40)	(0.42)	(1.58)	NM
2016E - New	**--**	**--**	**--**	**--**	**15.0**	**--**	**--**	**--**	**--**	**(1.93)**	**NM**
2016E - Old	--	--	--	--	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 in a Phase IIb trial for the IV formulation and is ready to advance into a Phase IIb/III study for the SC formulation, we believe. Clazakizumab data was released at the American College of Rheumatology (Nov. '14)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 $40 price target for ALDR shares in 12 months, which assigns ~$30/share to ALD403, ~$3/share to Clazakizumab, ~$1/share to the pipeline, and the rest to net cash. We model peak gross ALD403 US revenues of $1.5bn (~$1bn risk adjusted, using a 60% probability of approval) in 2026E. We assume peak ex-US risk-adjusted sales of ~$420MM (2026E), 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	1Q15	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
ALD403 US Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46.6
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**	**75.0**
Cost of Goods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.0
Gross Profit	20.1	18.8	4.8	4.7	38.8	6.4	54.7	-	-	-	-	-	15.0	15.0	68.0
R&D	30.7	31.9	7.0	9.4	7.0	10.0	33.4	11.0	12.0	13.0	15.0	51.0	61.2	70.4	73.9
SG&A	7.2	7.7	3.2	2.7	3.2	3.4	12.5	3.7	3.5	3.5	3.5	14.2	25.0	35.0	45.5
Operating Expenses	37.9	39.6	10.2	12.1	10.2	13.4	45.9	14.7	15.5	16.5	18.5	65.2	86.2	105.4	119.4
Operating Income	(17.8)	(20.8)	(5.5)	(7.4)	28.6	(6.967)	8.8	(14.7)	(15.5)	(16.5)	(18.5)	(65.2)	(71.2)	(90.4)	(51.4)
Interest income (expense)	0.0	0.1	0.0	-	-	0.0	0.0		0.0	0.0	0.0	0.0	(0.4)	0.9	0.7
Other Income (expense)	-	0.1	-	0.0	0.1	-	0.1	(0.1)	-	-	-	-	-	-	-
EBT	(17.8)	(20.6)	(5.4)	(7.4)	28.6	(6.942)	8.9	(14.7)	(15.5)	(16.5)	(18.5)	(65.2)	(71.6)	(89.6)	(50.8)
Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	**(17.8)**	**(20.6)**	**(5.4)**	**(7.4)**	**28.6**	**(6.9)**	**8.9**	**(14.7)**	**(15.5)**	**(16.5)**	**(18.5)**	**(65.2)**	**(71.6)**	**(89.6)**	**(50.8)**
Basic EPS	$ (3.55)	$ (3.84)	$ (5.38)	$ (0.40)	$ 0.93	$ (0.22)	$ 0.44	$ (0.40)	$ (0.42)	$ (0.44)	$ (0.50)	$ (1.75)	$ (1.93)	$ (2.29)	$ (1.26)
Diluted EPS	$ (3.55)	$ (3.84)	$ (5.38)	$ (0.40)	$ 0.88	$ (0.22)	$ 0.41	$ (0.40)	$ (0.42)	$ (0.44)	$ (0.50)	$ (1.75)	$ (1.93)	$ (2.29)	$ (1.26)
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	37.1	39.1	40.1
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	39.3	41.3	42.3

Alder BS and CFS ($MM)	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Change in Cash	**6.4**	**(30.5)**	**(10.3)**	**67.3**	**(12.7)**	**(11.7)**	**32.7**	**177.3**	**(14.2)**	**(15.1)**	**(16.9)**	**131.2**	**(70.5)**	**54.0**	**(40.3)**
Net Cash	**59.4**	**23.2**	**12.9**	**80.3**	**67.6**	**55.9**	**55.9**	**233.2**	**219.1**	**204.0**	**187.1**	**187.1**	**116.6**	**170.6**	**130.3**
Cash & Cash Equivalents	59.4	23.2	12.9	80.3	67.6	55.9	55.9	233.2	219.1	204.0	187.1	187.1	116.6	170.6	130.3
Debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Cash Flow	**(29.9)**	**(36.1)**	**(9.8)**	**(11.4)**	**(11.2)**	**(11.2)**	**(43.5)**	**(12.4)**	**(13.2)**	**(14.1)**	**(15.9)**	**(55.5)**	**(58.5)**	**(76.0)**	**(15.3)**
Net Income	(17.8)	(20.6)	(5.4)	(7.4)	28.6	(6.9)	8.9	(14.7)	(15.5)	(16.5)	(18.5)	(65.2)	(71.6)	(89.6)	(50.8)
SOE	0.5	0.6	0.6	0.7	0.6	0.8	2.8	1.5	1.6	1.7	1.9	6.5	8.6	10.5	11.9
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**	**190.7**	**-**	**-**	**-**	**190.7**	**-**	**150.0**	**-**
Equity Raise (Buyback)	37.9	0.0	-	79.2	-	-	79.2	190.7	-	-	-	190.7		150.0	-
Debt Issue (Retirement)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: SEC Filings and Leerink Partners Research

Discounted Cash Flow

Diluted Shares Outstanding 1Q15E	39.1
Discount Rate	12%
Terminal Growth Rate	2.5%
ALD403 Approval Probability	60%
Clazakizumab Approval Probability	30%

ALDR Valuation	Per/Share	Val ($MM)	% Total
Total	**$ 39.72**	**$ 1,553**	100%
ALD403	$ 30.33	$ 1,186	76%
Clazakizumab	$ 3.12	$ 122	8%
Pipeline	$ 0.31	$ 12	1%
Net Cash 1Q15E	$ 5.96	$ 233	15%

ALD403	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
US Sales ($MM)	**-**	**-**	**-**	**-**	**-**	**46.6**	**94.0**	**249.1**	**299.2**	**422.6**	**548.2**	**676.1**	**806.2**	**938.6**	**757.7**	**573.4**	**462.8**	**350.2**	
Ex US Royalties/Milestones ($MM)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.7**	**11.2**	**22.2**	**37.0**	**45.6**	**54.4**	**63.4**	**51.1**	**38.7**	**31.2**	**23.6**	
COGS	-	-	-	-	-	7.0	14.1	37.4	44.9	63.4	82.2	87.1	102.4	117.8	87.7	58.5	43.1	28.4	
R&D	27.1	28.4	40.8	49.0	56.3	51.8	38.8	32.6	25.7	18.0	18.9	19.8	15.6	16.4	17.2	18.1	19.0	19.9	
SG&A	7.1	11.6	13.2	23.8	33.3	43.2	58.4	78.8	90.8	105.0	136.2	182.7	221.1	249.5	228.9	174.4	117.8	88.5	
Other Income (Expense)	-	-	-	-	-	0.4	1.2	1.8	2.4	3.4	4.5	5.5	7.3	9.4	10.3	10.4	10.5	10.0	
EBT	(34.2)	(40.0)	(54.0)	(72.7)	(89.6)	(55.0)	(16.1)	105.9	151.4	261.8	352.4	437.5	528.7	627.6	485.4	371.5	324.7	247.1	
Tax	-	-	-	-	-	-	-	-	11.1	41.3	85.1	120.3	146.9	173.8	134.4	100.3	79.0	57.2	
Net Income	(34.2)	(40.0)	(54.0)	(72.7)	(89.6)	(55.0)	(16.1)	105.9	140.3	220.5	267.3	317.2	381.8	453.8	350.9	271.2	245.7	189.8	
SOE+CapEx+Non Cash Adj.	-	-	-	-	-	0.9	1.2	5.1	5.0	7.9	8.8	9.0	10.6	11.8	12.0	12.8	14.7	18.5	
Free Cash Flow	(34.2)	(40.0)	(54.0)	(72.7)	(89.6)	(54.1)	(14.9)	111.0	145.3	228.4	276.2	326.2	392.5	465.6	362.9	284.0	260.4	208.3	
Discount Periods	-	-	-	0.8	1.8	2.8	3.8	4.8	5.8	6.8	7.8	8.8	9.8	10.8	11.8	12.8	13.8	14.8	
NPV FCF	**-**	**-**	**(54.0)**	**(66.8)**	**(73.5)**	**(39.6)**	**(9.7)**	**64.8**	**75.8**	**106.3**	**114.7**	**121.0**	**130.0**	**137.7**	**95.8**	**66.9**	**54.8**	**39.1**	**422.4**
ALD403 Valuation	**$ 1,186**																		

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	1.8	2.3	3.1	4.1	4.9	5.7	7.4	9.9	12.0	14.2	13.5	11.6	10.3	9.0	
Other Income (Expense)	-	0.1	0.0	(0.4)	0.9	0.3	0.4	0.2	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.4	0.4	0.2	
EBT	(0.5)	(0.8)	(1.0)	8.9	(0.9)	27.4	31.0	28.2	33.2	29.1	33.2	22.4	19.6	14.4	12.2	11.2	7.9	(2.1)	
Tax	-	-	-	-	-	-	-	-	1.4	3.2	5.9	5.4	5.3	4.9	4.2	3.7	2.8	1.0	
Net Income	(0.5)	(0.8)	(1.0)	8.9	(0.9)	27.4	31.0	28.2	31.9	25.9	27.4	17.1	14.2	9.5	8.0	7.5	5.0	(3.1)	
SOE+CapEx+Non Cash Adj.	-	(0.4)	1.4	1.3	1.4	0.6	0.4	0.6	0.6	0.6	0.6	0.4	0.4	0.3	0.4	0.5	0.5	0.3	
Free Cash Flow	(0.5)	(1.2)	0.4	10.1	0.5	28.0	31.4	28.9	32.5	26.6	28.0	17.5	14.6	9.9	8.4	8.0	5.6	(2.8)	
Discount Periods	-	-	-	0.8	1.8	2.8	3.8	4.8	5.8	6.8	7.8	8.8	9.8	10.8	11.8	12.8	13.8	14.8	
NPV FCF	**-**	**-**	**0.4**	**9.3**	**0.4**	**20.5**	**20.5**	**16.9**	**16.9**	**12.4**	**11.6**	**6.5**	**4.8**	**2.9**	**2.2**	**1.9**	**1.2**	**(0.5)**	**(5.7)**
Clazakizumab Valuation	**$ 122**																		

Pipeline/Platform	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
Sales	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**118.3**	**155.3**	**195.7**	**239.7**	**287.6**	**302.0**	**317.1**	
R&D Multiple	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	
COGS	-	-	-	-	-	-	-	-	-	-	-	14.3	18.5	23.0	26.0	27.5	26.3	24.1	
R&D	4.8	5.0	10.2	12.2	14.1	29.6	38.8	48.9	59.9	71.9	75.5	79.3	88.4	92.9	97.5	102.4	107.5	112.9	
SG&A	-	-	-	-	-	-	-	-	3.0	3.4	4.4	6.0	7.2	19.9	26.9	46.5	78.3	82.7	
Other Income (Expense)	-	-	-	-	-	-	-	-	-	-	-	0.9	1.3	1.8	3.1	4.9	6.4	8.5	
EBT	(4.8)	(5.0)	(10.2)	(12.2)	(14.1)	(29.6)	(38.8)	(48.9)	(62.9)	(75.3)	(79.9)	19.7	42.5	61.8	92.3	116.1	96.2	105.9	
Tax	-	-	-	-	-	-	-	-	-	-	-	19.7	26.5	33.9	39.8	47.1	48.3	48.5	
Net Income	(4.8)	(5.0)	(10.2)	(12.2)	(14.1)	(29.6)	(38.8)	(48.9)	(62.9)	(75.3)	(79.9)	(0.0)	16.0	27.8	52.5	69.0	48.0	57.4	
SOE+CapEx+Non Cash Adj.	-	-	-	-	-	-	-	-	-	-	-	1.5	1.9	2.3	3.5	6.0	9.0	15.7	
Free Cash Flow	(4.8)	(5.0)	(10.2)	(12.2)	(14.1)	(29.6)	(38.8)	(48.9)	(62.9)	(75.3)	(79.9)	1.4	17.9	30.1	56.0	75.0	57.0	73.1	
Discount Periods	-	-	-	0.8	1.8	2.8	3.8	4.8	5.8	6.8	7.8	8.8	9.8	10.8	11.8	12.8	13.8	14.8	
NPV FCF	**-**	**-**	**(10.2)**	**(11.3)**	**(11.6)**	**(21.7)**	**(25.4)**	**(28.6)**	**(32.8)**	**(35.1)**	**(33.2)**	**0.5**	**5.9**	**8.9**	**14.8**	**17.7**	**12.0**	**13.7**	**148.1**
Pipeline/Platform Valuation	**$ 12**																		

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

Alder Biopharma Milestones		
Product	**Catalyst**	**Timing**
ALD403	Phase III IV Initiation (episodic & chronic)	mid-2015
Clazakizumab	Phase IIb Rheumatoid Arthritis Data	1H15
Clazakizumab	Potential Partnership	mid-2015
ALD403	Phase IIb SC Data (episodic)	4Q15
ALD1613	Phase I Initiation in Cushing's Disesase	1Q16
ALD403	Phase III IV Initiation (chronic)	1H16
ALD403	Phase III IV Data (episodic & chronic)	mid-2017
ALD403	Phase IIb SC Data (chronic)	2H17
ALD403	IV FDA/EMA Approval (chronic & episodic)	2018
ALD403	SC FDA/EMA Approval (episodic)	2018

Source: SEC Filings and Leerink Partners Research

Disclosures Appendix

Analyst Certification

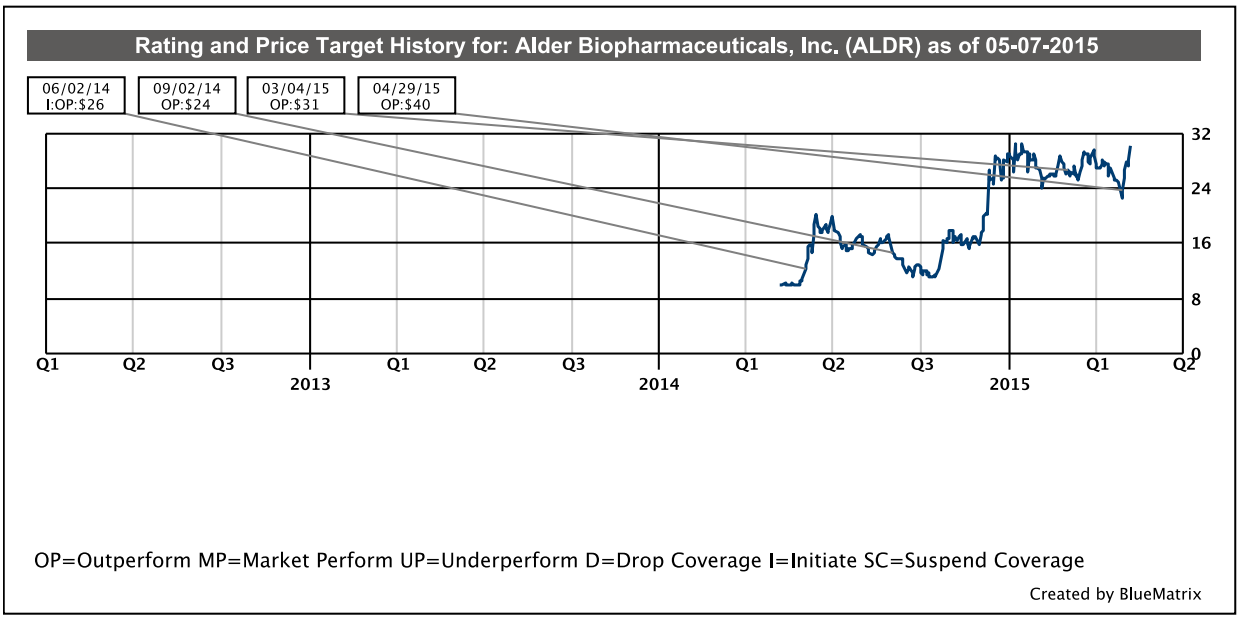
I, Joseph P. Schwartz, certify that the views expressed in this report accurately reflect my views and that no part of my compensation was, is, or will be directly related to the specific recommendation or views contained in this report.

Valuation

We derive a $40 price target for ALDR shares in 12 months, which assigns ~$30/share to ALD403, ~$3/share to Clazakizumab, ~$1/share to the pipeline, and the rest to net cash. We model peak gross ALD403 US revenues of $1.5bn (~$1bn risk adjusted, using a 60% probability of approval) in 2026E. We assume peak ex-US risk-adjusted sales of ~$420MM (2026E), 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.

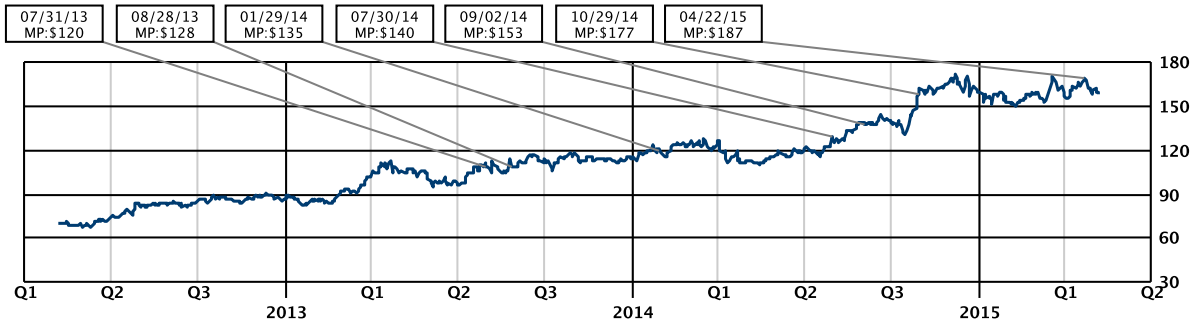
Risks to Valuation

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

Rating and Price Target History for: Amgen, Inc. (AMGN) as of 05-07-2015

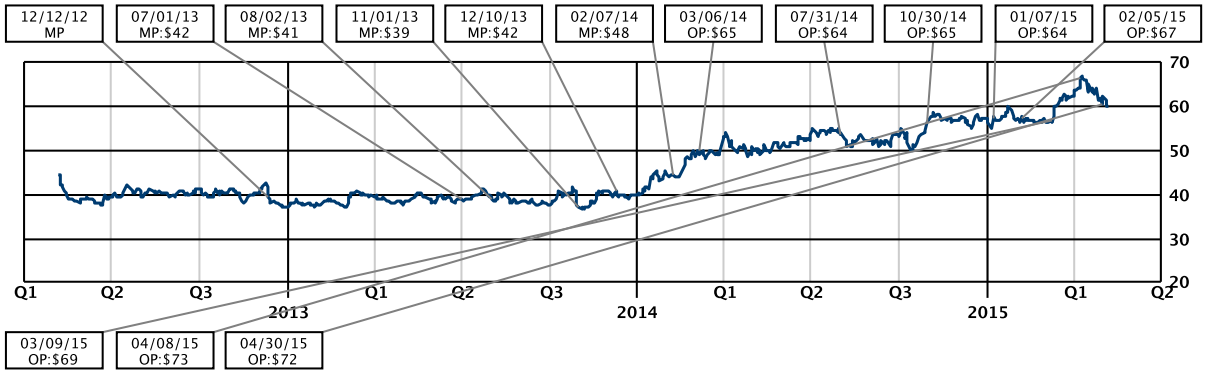


Leerink Swann placed a Market Perform rating on AMGN on November 14. 2011. On June 11, 2013, Leerink Swann began a transition to specific price targets for the stocks under its coverage, replacing valuation ranges.

OP=Outperform MP=Market Perform UP=Underperform D=Drop Coverage I=Initiate SC=Suspend Coverage

Created by BlueMatrix

Rating and Price Target History for: Teva Pharmaceutical Industries Ltd. (TEVA) as of 05-07-2015



Leerink Swann initiated coverage of TEVA with an Outperform rating on August 18, 2011. 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 03/31/15				
			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OP]	151	70.20	55	36.00
HOLD [MP]	64	29.80	2	3.00
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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Leerink Partners LLC makes a market in Alder Biopharmaceuticals, Inc., Amgen, Inc. and Teva Pharmaceutical Industries Ltd.

Leerink Partners LLC has acted as the manager for a public offering of Alder Biopharmaceuticals, Inc. in the past 12 months.

Leerink Partners LLC Equity Research

Director of Equity Research	**John L. Sullivan, CFA**	(617) 918-4875	john.sullivan@leerink.com
Associate Director of Research	**Alice C. Avanian, CFA**	(617) 918-4544	alice.avanian@leerink.com
Healthcare Strategy	**John L. Sullivan, CFA**	(617) 918-4875	john.sullivan@leerink.com
	Alice C. Avanian, CFA	(617) 918-4544	alice.avanian@leerink.com
Biotechnology	**Howard Liang, Ph.D.**	(617) 918-4857	howard.liang@leerink.com
	Joseph P. Schwartz	(617) 918-4575	joseph.schwartz@leerink.com
	Michael Schmidt, Ph.D.	(617) 918-4588	michael.schmidt@leerink.com
	Gena Wang, Ph.D., CFA	(212) 277-6073	gena.wang@leerink.com
	Paul Matteis	(617) 918-4585	paul.matteis@leerink.com
	Jonathan Chang, Ph.D.	(617) 918-4015	jonathan.chang@leerink.com
	Richard Goss	(617) 918-4059	richard.goss@leerink.com
Life Science Tools	**Dan Leonard**	(212) 277-6116	dan.leonard@leerink.com
and Diagnostics	Justin Bowers, CFA	(212) 277-6066	justin.bowers@leerink.com
	Kevin C. Chen	(212) 277-6045	kevin.chen@leerink.com
Pharmaceuticals/Major	**Seamus Fernandez**	(617) 918-4011	seamus.fernandez@leerink.com
	Aneesh Kapur	(617) 918-4576	aneesh.kapur@leerink.com
Specialty Pharmaceuticals	**Jason M. Gerberry, JD**	(617) 918-4549	jason.gerberry@leerink.com
	Derek C. Archila	(617) 918-4851	derek.archila@leerink.com
Medical Devices, Cardiology	**Danielle Antalffy**	(212) 277-6044	danielle.antalffy@leerink.com
	Puneet Souda	(212) 277-6091	puneet.souda@leerink.com
& Orthopedics	**Richard Newitter**	(212) 277-6088	richard.newitter@leerink.com
	Ravi Misra	(212) 277-6049	ravi.misra@leerink.com
Healthcare Services	**Ana Gupte, Ph.D.**	(212) 277-6040	ana.gupte@leerink.com
Healthcare Technology	**David Larsen, CFA**	(617) 918-4502	david.larsen@leerink.com
& Distribution	Christopher Abbott	(617) 918-4010	chris.abbott@leerink.com
Digital Health	**Steven Wardell**	(617) 918-4097	steven.wardell@leerink.com
Sr. Editor/Supervisory Analyst	**Mary Ellen Eagan, CFA**	(617) 918-4837	maryellen.eagan@leerink.com
Supervisory Analysts	Randy Brougher		randy.brougher@leerink.com
	Robert Egan		bob.egan@leerink.com
	Amy N. Sonne		amy.sonne@leerink.com

New York
299 Park Avenue, 21st floor
New York, NY 10171
(888) 778-1653

Boston
One Federal Street, 37th Floor
Boston, MA 02110
(800) 808-7525

San Francisco
255 California Street, 12th Floor
San Francisco, CA 94111
(415) 905-7200