

October 28, 2014

ALDR-NASDAQ--Outperform (1) / V

Biotechnology

ALDR: Scientific Rationale, Unmet Need For CGRP Antibodies In Migraine Highlighted At AMGN's R&D Day

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Sector Rating: Biotechnology, Market Weight

****We are attending AMGN's R&D Day, where AMGN discussed AMG 334, the company's anti-CGRP receptor antibody for migraine prophylaxis. Recall ALDR's lead product ALD403, which has already demonstrated proof of concept in headache reductions, is also an antibody targeting this axis, and we continue to believe additional discussion and data from some of the other players in the space like AMGN will draw increased attention to ALD403, what we see as an underappreciated asset.**

****AMGN corroborated the substantial unmet need for infrequently-dosed, well-tolerated agents to help people suffering from migraine, noting 26 million migraine sufferers and affirming the compelling biology of targeting CGRP, given its validation not only scientifically but also by other non-ideal modalities (small molecules) which had demonstrated clear effects. This supports our view that targeting CGRP has lower risk than many other approaches in neuroscience.**

****Data from AMGN's first study, testing its antibody in episodic migraine prophylaxis, is still expected by year-end, with its ph.II chronic migraine study reading out next year; we continue to believe this data will draw positive attention to ALDR's similar approach.**

****AMGN did highlight what it sees as differentiated with its product, its belief that targeting the CGRP receptor (rather than the ligand, as ALDR, LLY, and TEVA are doing) could have better potency, potentially enabling less frequent, lower-volume administrations. It will be interesting to see if this mechanism translates to better efficacy than what ALDR and LLY have observed, but we also believe there could be greater side effect risks by targeting the receptor given other signaling factors that hit CGRP-R, vs. ALDR and others' ligand-targeted approach.**

****BOTTOM LINE: As the CGRP field continues to evolve, we expect increasing recognition of the promise and opportunity for ALD403, and continue to see significant upside potential for ALDR shares as its program, and the space, matures.**

Alder Biopharmaceuticals, Inc. (ALDR-NASDAQ)

Price as of 10/28/2014: \$16.16

FY 14 EPS: \$-1.53

FY 15 EPS: \$-1.20

Shares Out.: 29.9 MM

Market Cap.: \$483.18 MM

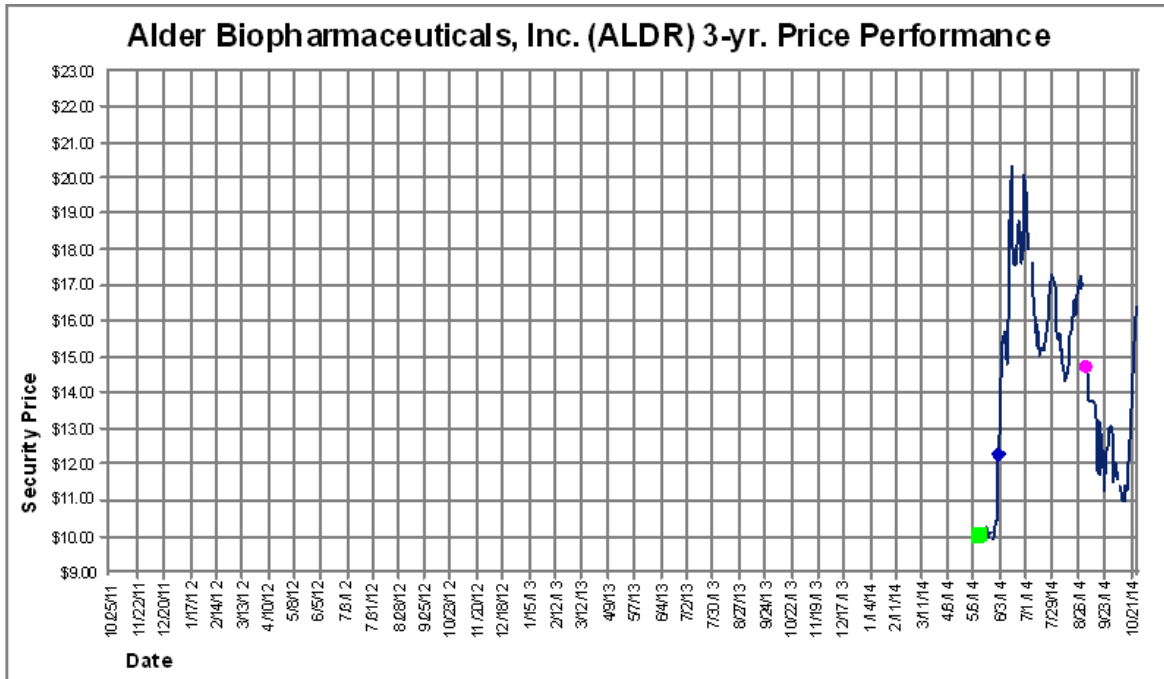
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Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
□	5/8/2014		IPO at \$10.00			
◆	6/2/2014	10.74	1	22.00	24.00	12.26
◆	6/2/2014	14.25	1	19.00	21.00	14.80

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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3 = Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. **SELL**

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As of: October 28, 2014

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