

Rating	OUTPERFORM* [V]
Price (05 Nov 12, US\$)	22.37
Target price (US\$)	21.00 ¹
52-week price range	26.50 - 11.70
Market cap. (US\$ m)	584.74
Enterprise value (US\$ m)	434.99

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

¹Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

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Clovis Oncology, Inc. (CLVS)

EARNINGS

CO-101: Pivotal LEAP data is due by year end

CLVS reported Q3 earnings post market close tonight. Most importantly, the company reconfirmed that the LEAP readout for CO-101 in hENT1-low patients with pancreatic cancer remains on track for Q4'12. As expected, given the point in its life cycle, CLVS's financial results were uneventful. CLVS posted operating expenses that were essentially in line with CS estimates (\$18.2M vs. \$17.4M). We have made only housekeeping changes to our model.

- **Pivotal LEAP PIII readout is still due Q4'12...** As a reminder, this study is intended to show that CO-101 is superior to gemcitabine in hENT1-low patients with metastatic pancreatic cancer in extending overall survival (OS). If the LEAP data is positive, then CLVS has guided to file for approval in the U.S. and EU in mid-2013 and potential launch in 2014.
- **...and is a significant binary trigger.** Our non-risk weighted DCF valuation for CLVS is \$36/share, assuming U.S. and EU launches in 2014, WW peak sales of ~\$900M for CO-101, cash flows until 2021, 10% discount rate, no terminal value, and tiered (17%-22%) royalty payments to CLAVIS. We estimate that CLVS will have \$6/share in cash by the end of 2012.
- **If LEAP is positive, CLVS is likely to trade at a notable premium to DCF valuation of CO-101 for these key reasons:** (1) Our \$900M WW peak sales is arguably conservative and assumes (global average) an annual price of \$37K per patient, 24% penetration into the total pancreatic cancer patient market, (2) Increased investor credit for the two other pipeline assets: (a) CO-1686: We expect PI dosing data at ASCO 2013 and proof-of-concept PI/II data in EGFR T790M+ NSCLC Tarceva/Iressa-failures in H2'13. (b) Rucaparib: CLVS plans to expand an ongoing PI/II trial in breast and ovarian cancer (with germline BRCA mutations) and a pivotal trial in platinum-sensitive ovarian cancer (with BRCA and other DNA repair mutations) in 2013. (3) M&A speculation could come into the picture again, given the attractiveness of CLVS's profile.

Share price performance



On 11/05/12 the S&P 500 INDEX closed at 1417.26

Quarterly EPS	Q1	Q2	Q3	Q4
2011A	—	—	—	-1.30
2012E	-0.86	-0.61	-0.71	-0.83
2013E	—	—	—	—

Financial and valuation metrics

Year	12/11A	12/12E	12/13E	12/14E
EPS (CS adj.) (US\$)	-14.42	-2.99	-3.61	-1.71
Prev. EPS (US\$)	—	-2.91	-3.54	-1.65
P/E (x)	-1.6	-7.5	-6.2	-13.1
P/E rel. (%)	-10.2	-52.5	-48.2	-113.1
Revenue (US\$ m)	—	—	—	135.5
EBITDA (US\$ m)	-54.4	-73.9	-103.7	-53.5
OCFPS (US\$)	-10.33	-2.44	-3.13	-1.16
P/OCF (x)	-1.4	-9.2	-7.1	-19.3
EV/EBITDA (current)	-10.7	-7.9	-5.6	-10.9
Net debt (US\$ m)	-138	-150	-139	-103
ROIC (%)	847.63	610.00	615.77	238.01
Number of shares (m)	26.14	—	—	—
BV/share (Next Qtr., US\$)	—	—	—	—
Net debt (Next Qtr., US\$ m)	—	—	—	—
Net debt/tot cap (Next Qtr., %)	—	—	—	—
IC (current, US\$ m)	—	—	—	-6.44
EV/IC (x)	—	—	—	—
Dividend (Next Qtr., US\$)	—	—	—	—
Dividend yield (%)	—	—	—	—

Source: Company data, Credit Suisse estimates.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S. ANALYSTS. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Exhibit 1: Changes to the CLVS Model

<i>(In thousands except EPS)</i>	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Total Revenues										
Current	0	0	135,513	255,388	382,380	516,810	659,010	789,921	859,521	899,209
Prior	0	0	135,513	255,388	382,380	516,810	659,010	789,921	859,521	899,209
Difference	-	-	0%	0%	0%	0%	0%	0%	0%	0%
Operating Income										
Current	(74,232)	(104,000)	(53,832)	28,771	115,479	201,556	293,918	376,792	414,289	439,173
Prior	(72,462)	(102,000)	(51,832)	30,771	117,391	202,589	295,236	378,372	416,008	441,512
Difference	-2%	-2%	-4%	-6%	-2%	-1%	0%	0%	0%	0%
Net Income										
Current	(74,479)	(103,861)	(53,729)	28,914	115,752	173,736	235,706	302,261	332,539	353,177
Prior	(72,811)	(101,858)	(51,725)	30,920	117,671	174,631	236,767	303,532	333,922	354,624
Difference	-2%	-2%	-4%	-6%	-2%	-1%	0%	0%	0%	0%
Diluted EPS (With Options)										
Current	(2.99)	(3.61)	(1.71)	0.90	3.58	5.33	7.16	9.06	9.82	10.25
Prior	(2.91)	(3.54)	(1.65)	0.96	3.64	5.36	7.19	9.10	9.86	10.29
Difference	-3%	-2%	-4%	-6%	-2%	-1%	0%	0%	0%	0%
Number of Basic Shares										
Current	24,909	28,767	31,396	32,083	32,312	32,590	32,930	33,345	33,851	34,468
Prior	25,019	28,767	31,396	32,083	32,312	32,590	32,930	33,345	33,851	34,468
Difference	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Number of Diluted Shares										
Current	24,909	28,767	31,396	32,083	32,312	32,590	32,930	33,345	33,851	34,468
Prior	25,019	28,767	31,396	32,083	32,312	32,590	32,930	33,345	33,851	34,468
Difference	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Company data, Credit Suisse estimates

Exhibit 2: CLVS Quarterly Income Statement**Clovis Quarterly Income Statement***(Dollars in thousands, except share and per share amounts)*

	Q1 2012A	Q2 2012A	Q3 2012A	Q4 2012E	FY 2012E
CO-101	0	0	0	0	0
Revenues	0	0	0	0	0
Cost of Goods Sold	0	0	0	0	0
Gross Profit	0	0	0	0	0
Operating expenses:					
Research and Development	12,562	12,590	15,458	18,550	59,160
General, and Administrative	2,425	2,680	2,762	2,955	10,822
Acquired IPRD	4,000	250	0	0	4,250
Total Operating Expenses	18,987	15,520	18,220	21,505	74,232
Operating Income (Loss)	(18,987)	(15,520)	(18,220)	(21,505)	(74,232)
Other Income / (Expense)	(4)	(172)	(48)	(50)	(274)
Pre-Tax Profit/(Loss)	(18,991)	(15,692)	(18,268)	(21,555)	(74,506)
Provision for Income Tax	8	(35)	0	0	(27)
<i>Effective Tax Rate</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
Consolidated Net Income/(Loss)	(18,999)	(15,657)	(18,268)	(21,555)	(74,479)
Basic EPS	(0.86)	(0.61)	(0.71)	(0.83)	(2.99)
Diluted EPS	(0.86)	(0.61)	(0.71)	(0.83)	(2.99)
Basic Share Outstanding	22,041	25,744	25,906	25,945	24,909
Diluted Share Outstanding	22,041	25,744	25,906	25,945	24,909
PRO-FORMA EARNINGS:					
Option Expense	946	1,168	1,500	1,720	5,334
Ex-Option Net Income (Loss)	(18,053)	(14,489)	(16,768)	(19,835)	(69,145)
Ex-Option EPS, Basic	(0.82)	(0.56)	(0.65)	(0.76)	(2.78)
Ex-Option EPS, Diluted	(0.82)	(0.56)	(0.65)	(0.76)	(2.78)
Ex-Option, Ex-D&A Income					
Net Income (Loss)	(18,999)	(15,657)	(18,268)	(21,555)	(74,479)
Option Expense	946	1,168	1,500	1,720	5,334
D&A Expense					311
Non-cash interest					0
Option & D&A	946	1,168	1,500	1,720	5,646
Ex-Option, Ex-D&A Income	(18,053)	(14,489)	(16,768)	(19,835)	(68,833)
Cash EPS/Share, Basic	(0.82)	(0.56)	(0.65)	(0.76)	(2.76)
Cash EPS/Share, Diluted	(0.82)	(0.56)	(0.65)	(0.76)	(2.76)

Source: Company data, Credit Suisse estimates

Exhibit 3: CLVS Annual Income Statement 2011-2021

Clovis Annual Income Statement											
(Dollars in thousands, except share and per share amounts)											
	FY 2011A	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E
CO-101	0	0	0	135,513	255,388	382,380	516,810	659,010	789,921	859,521	899,209
Revenues:	0	0	0	135,513	255,388	382,380	516,810	659,010	789,921	859,521	899,209
COGS	0	0	0	36,589	68,955	107,066	149,875	197,703	244,875	275,047	287,747
Gross Profit	0	0	0	98,925	186,433	275,314	366,935	461,307	545,045	584,474	611,462
Operating Expenses:											
Research and Development	40,726	59,160	77,000	85,000	67,000	55,445	51,681	48,767	46,605	45,555	45,860
Selling, General, and Administrative	6,860	10,822	27,000	67,757	90,663	104,390	113,698	118,622	121,648	124,631	125,889
Acquired IPRD	7,000	4,250	0	0	0	0	0	0	0	0	0
Total Operating Expenses	54,586	74,232	104,000	152,757	157,663	159,835	165,379	167,388	168,253	170,185	171,749
Operating Income (Loss)	(54,586)	(74,232)	(104,000)	(53,832)	28,771	115,479	201,556	293,918	376,792	414,289	439,713
Other Income / (Expense)	(957)	(274)	139	103	143	273	462	715	1,034	1,385	1,758
Pretax Income (Loss)	(55,543)	(74,506)	(103,861)	(53,729)	28,914	115,752	202,018	294,633	377,826	415,674	441,471
Provision For Income Taxes	(27)	(27)	0	0	0	0	28,283	58,927	75,565	83,135	88,294
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.0%	20.0%	20.0%	20.0%	20.0%
Net Income (Loss)	(55,570)	(74,479)	(103,861)	(53,729)	28,914	115,752	173,736	235,706	302,261	332,539	353,177
Basic EPS	(\$14.42)	(\$2.99)	(\$3.61)	(\$1.71)	\$0.92	\$3.67	\$5.48	\$7.41	\$9.45	\$10.33	\$10.88
Diluted EPS	(\$14.42)	(\$2.99)	(\$3.61)	(\$1.71)	\$0.90	\$3.58	\$5.33	\$7.16	\$9.06	\$9.82	\$10.25
Basic Shares Outstanding	3,854	24,909	28,767	31,396	31,474	31,568	31,683	31,823	31,994	32,203	32,457
Diluted Shares Outstanding	3,854	24,909	28,767	31,396	32,083	32,312	32,590	32,930	33,345	33,851	34,468
Cash/Share (Diluted)	36.39	\$6.01	\$4.84	\$3.27	\$4.47	\$8.44	\$14.19	\$21.70	\$31.02	\$40.92	\$50.99
PRO-FORMA EARNINGS:											
Option Expense	1,325	5,334	8,535	11,096	12,760	14,036	15,018	15,769	16,242	16,567	16,899
Ex-Option Net Income (Loss)	(54,246)	(69,146)	(95,326)	(42,634)	41,674	129,787	186,651	248,322	315,255	345,793	366,696
Ex-Option EPS, Basic	(\$14.08)	(\$2.78)	(\$3.31)	(\$1.36)	\$1.32	\$4.11	\$5.89	\$7.80	\$9.85	\$10.74	\$11.30
Ex-Option EPS, Diluted	(\$14.08)	(\$2.78)	(\$3.31)	(\$1.36)	\$1.30	\$4.02	\$5.73	\$7.54	\$9.45	\$10.22	\$10.64
Ex-Option, Ex-D&A Income											
Net Income (Loss)	(55,570)	(74,479)	(103,861)	(53,729)	28,914	115,752	173,736	235,706	302,261	332,539	353,177
Option Expense	1,325	5,334	8,535	11,096	12,760	14,036	15,018	15,769	16,242	16,567	16,899
D&A Expense	185	311	336	357	376	392	406	418	429	438	446
Non-cash interest	0	0	0	0	0	0	0	0	0	0	0
Ex-Option, Ex-D&A	(54,060)	(68,833)	(94,990)	(42,276)	42,050	130,179	189,160	251,894	318,932	349,545	370,522
Cash EPS/Share, Basic	(\$14.03)	(\$2.76)	(\$3.30)	(\$1.35)	\$1.34	\$4.12	\$5.97	\$7.92	\$9.97	\$10.85	\$11.42
Cash EPS/Share, Diluted	(\$14.03)	(\$2.76)	(\$3.30)	(\$1.35)	\$1.31	\$4.03	\$5.80	\$7.65	\$9.56	\$10.33	\$10.75

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 05 Nov 12)

Clovis Oncology, Inc. (CLVS, \$22.37, OUTPERFORM [V], TP \$21.00)

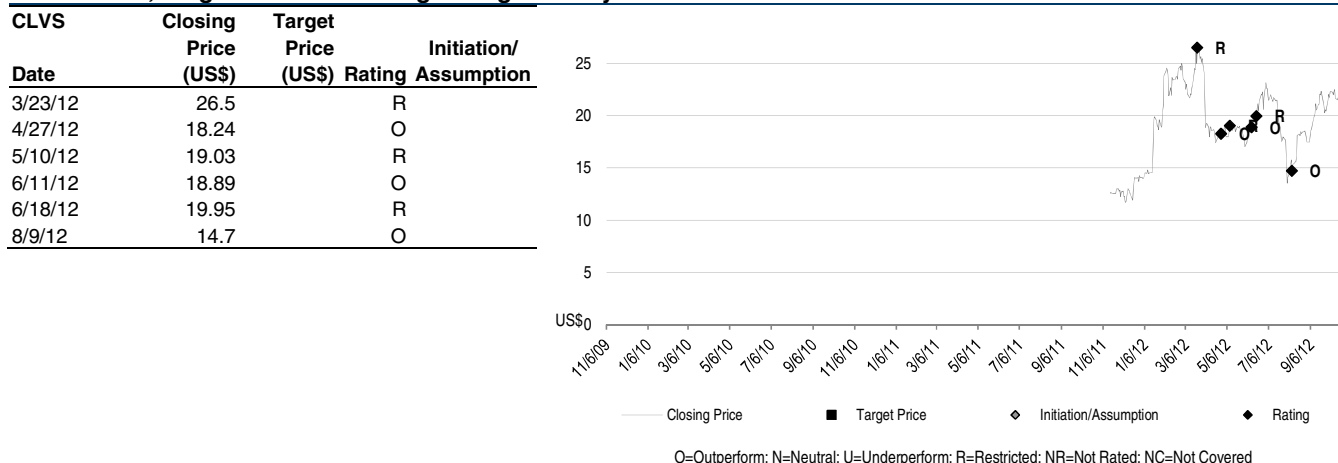
Disclosure Appendix

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3-Year Price, Target Price and Rating Change History Chart for CLVS



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Restricted	3%	

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Price Target: (12 months) for (CLVS)

Method: Our target price of \$21 for CLVS is derived using a discounted cash flow (DCF) methodology, assuming a discount rate of 10%, annual cash flows on CO-101 until 2021, 50% probability of success for CO-101, and no terminal value.

Risks: Key risks to our \$21 target price for CLVS are (1) CO-101 is not approved in the U.S. and/or EU, (2) Launch of CO-101 is significantly delayed, (3) Readout from the pivotal LEAP trial is worse than expected, (4) Clovis fails to raise funds in 2013 to continue operations, (4) Dilution from anticipated financing in 2013 is worse than expected, and (5) CO-101 could underperform our expectations commercially.

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