

# UBS Investment Research

## Puma Biotechnology

### Opportunity Abounds

#### ■ What's changed? We hosted a dinner with Mgt. at ASCO

Key topics: (1) In neo-adjuvant a 20% benefit is needed for approval (neoALTO had ~19%). Mgt. believes accelerated approval is possible with a 400-500pt study followed by a 1,000+ pt confirmatory study; neo-adjuvant appears to be a 2016 filing; (2) On HER2+ lung, mgt. believes the first PhII study could start in 2H13 (expansion of PhI) with the second PhII needed for accelerated approval in 1H14 for a 2015 filing timeline; (3) The mutation basket (or bucket approach as some investors call it) will start to see data by 1H14; filings could be as early as 2016.

#### ■ Our analysis: Plenty of options to drive filings from 2014-2016+

Overall, the dinner increased our confidence in the number of near-term revenue opportunities for Puma. Specifically, on neo-adjuvant, the dinner plus our ASCO diligence suggests a greater opportunity than we previously believed. Further, given the pot. accelerated approval pathway, neratinib could be one of the first agents approved in neo-adjuvant. And on the HER2+ "basket" mutations, we see clarity for a few of the mutations, esp. gastric, and have added new option value into our model to reflect the opportunity. The neratinib pipeline is now substantial.

#### ■ Impact on the stock: PT now incl. "basket" and greater neo-adjuvant

Our new PT incl: (1) incr. neo-adjuvant pot. (\$500M market) and (2) inclusion of pot. "basket" sales (\$300M peak, 50% risk-adj). We see the path of filings (breast 2014/2015, lung 2015, neo-adjuvant 2016, basket 2016+) as driving PBVI higher.

#### ■ Valuation: We maintain our Buy and raise our PT to \$49 (from \$35)

Our PT is based on our sum-of-the-parts valuation.

Highlights (US\$m)	12/11	12/12	12/13E	12/14E	12/15E
Revenues	0	0	0	0	19
EBIT (UBS)	(10)	(74)	(47)	(53)	(47)
Net Income (UBS)	(10)	(74)	(46)	(51)	(44)
EPS (UBS, US\$)	(1.32)	(3.42)	(1.58)	(1.64)	(1.27)
Net DPS (UBS, US\$)	0.00	0.00	0.00	0.00	0.00
Profitability & Valuation	5-yr hist av.	12/12	12/13E	12/14E	12/15E
EBIT margin %	-	-	-	-	-240.7
ROIC (EBIT) %	-	>500	366.9	308.1	296.7
EV/EBITDA (core) x	-	-3.4	-21.5	-19.7	-22.3
PE (UBS) x	-	NM	NM	NM	NM
Net dividend yield %	-	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.

Valuations: based on an average share price that year, (E): based on a share price of US\$38.93 on 31 May 2013 20:03 EDT

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## Global Equity Research

Americas

Biotechnology

12-month rating **Buy**  
**Unchanged**

12m price target **US\$49.00**  
**Prior: US\$35.00**

Price **US\$38.93**

RIC: PBVI.N BBG: PBVI US

2 June 2013

#### Trading data

52-wk range	US\$39.66-11.00
Market cap.	US\$1.12bn
Shares o/s	28.7m (COM)
Free float	95%
Avg. daily volume ('000)	24
Avg. daily value (m)	US\$0.8

#### Balance sheet data 12/13E

Shareholders' equity	US\$0.09bn
P/BV (UBS)	13.1x
Net Cash (debt)	US\$0.11bn

#### Forecast returns

Forecast price appreciation	+25.9%
Forecast dividend yield	0.0%
Forecast stock return	+25.9%
Market return assumption	5.3%
Forecast excess return	+20.6%

#### EPS (UBS, US\$)

	From	12/13E	Cons.	12/12	Actual
Q1	-	(0.41)	(0.41)	(0.59)	
Q2E	-	(0.39)	(0.52)	(0.73)	
Q3E	-	(0.39)	(0.54)	(1.29)	
Q4E	-	(0.39)	(0.56)	(0.83)	
12/13E	-	(1.58)	(2.05)		
12/14E	-	(1.64)	(2.07)		

#### Performance (US\$)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 8.

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## Thesis and Valuation

- (1) **We believe neratinib can garner significant market share in 3<sup>rd</sup>/4<sup>th</sup> line HER2+ metastatic breast cancer and be bigger than Tykerb:** Tykerb currently has a median duration of ~4-6 months of treatment and generates ~\$400M in global sales. We believe based on longer duration (6 months +), a higher price (~\$75,000 annually for neratinib) and deeper penetration into the 3<sup>rd</sup>/4<sup>th</sup> line setting neratinib can generate ~\$300M in annual US sales in HER2+ advanced metastatic breast cancer.
- (2) **We see multiple paths to upside beyond the core 3<sup>rd</sup>/4<sup>th</sup> line HER2+ mBC indication, including greater duration, activity in brain metastasis, neoadjuvant HER2+ BC, HER2- mutated breast cancer, HER2+ lung cancer and other HER2+ mutations:** To us, there are multiple ways to win beyond the lead HER2+ mBC setting. With rationale in neoadjuvant BC, lung cancer and the potential for increased duration or greater market share in mBC (due potentially to activity in CNS disease) suggests to us there are multiple ways for consensus forecasts to rise as data is due in 2013.
- (3) **Given management's prior success, we believe the stock will carry an acquisition premium.** Given the success investors had with the CEO's former company, Cougar biotechnology, which was acquired by J&J, we believe investors will look for Puma to be an acquisition target and believe an M&A premium will remain in the stock. We value a potential takeout at \$40 and use our M&A target as 20% of our overall valuation.

## Valuation

Table 1: Puma Valuation matrix

Product	Implied Probability of Success	Value/Share	Sales at Expiration Year	Exclusivity Expiration Year
Neratinib - HER2 mBC (HER2+ and HER2- mutated)	65%	\$16.8	640	2030E
Neratinib - HER2 neoadjuvant	50%	\$9.2	372	2030E
Neratinib - HER2 lung	50%	\$6.3	258	2030E
Neratinib - HER2 "basket"	50%	\$6.3	355	2030E
Corporate		-\$1.1		
NOLs		\$4.5		
Cash		\$3.6		
<b>Total Sum of Parts</b>		<b>\$45.6</b>		

Valuation			
Metric	Allocation	Value/Share	Full Value
Sum of Parts	80%	\$36.5	\$45.6
M&A Valuation	20%	\$13.0	\$65.0
Total		\$49.5	
Total Price Target		\$49.0	
Current Price		38.9	
Implied Upside/Downside		25.9%	

Source: UBS estimates

Table 2: Puma Biotechnology – Income Statement (2011-2020E)

	2011	2012	1Q13	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Neratinib revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.5	158.6	291.6	396.1	505.0	581.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Revenue</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>19.5</b>	<b>158.6</b>	<b>291.6</b>	<b>396.1</b>	<b>505.0</b>	<b>581.7</b>
<b>Consensus Revenue</b>				0.0	0.0	0.0	0.0	25.0	37.5					
COGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	23.8	53.7	75.1	97.4	115.0
Gross Profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.6	134.8	238.0	321.0	407.6	466.7
SG&A	9.3	24.8	2.3	2.3	2.3	2.3	9.1	9.4	9.8	56.2	78.7	107.5	121.5	127.3
R&D	0.8	49.6	9.5	9.3	9.3	9.5	37.5	43.3	53.6	49.0	29.4	24.8	25.3	25.8
<b>Operating Income</b>	<b>-10.1</b>	<b>-74.4</b>	<b>-11.8</b>	<b>-11.5</b>	<b>-11.5</b>	<b>-11.7</b>	<b>-46.6</b>	<b>-52.7</b>	<b>-46.9</b>	<b>29.6</b>	<b>129.9</b>	<b>188.6</b>	<b>260.7</b>	<b>313.6</b>
Total Non-operating Income	-0.1	0.1	0.0	0.1	0.1	0.1	0.2	1.9	3.3	3.4	7.3	9.6	16.2	23.5
Pretax Income	-10.2	-74.4	-11.8	-11.5	-11.5	-11.6	-46.4	-50.8	-43.6	33.0	137.2	198.2	276.9	337.1
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Income</b>	<b>-10.2</b>	<b>-74.4</b>	<b>-11.8</b>	<b>-11.5</b>	<b>-11.5</b>	<b>-11.6</b>	<b>-46.4</b>	<b>-50.8</b>	<b>-43.6</b>	<b>33.0</b>	<b>137.2</b>	<b>198.2</b>	<b>276.9</b>	<b>337.1</b>
<b>Diluted EPS</b>	<b>-1.32</b>	<b>-3.42</b>	<b>-0.41</b>	<b>-0.39</b>	<b>-0.39</b>	<b>-0.39</b>	<b>-1.58</b>	<b>-1.64</b>	<b>-1.27</b>	<b>0.92</b>	<b>3.67</b>	<b>5.09</b>	<b>6.85</b>	<b>8.04</b>
<b>Consensus EPS</b>				-\$0.68	-\$0.70	-\$0.64	-\$2.74	-\$1.86	-\$1.80					
Basic shares outstanding														
Diluted shares outstanding	7.7	21.7	28.7	29.2	29.7	30.2	29.4	30.9	34.4	35.9	37.4	38.9	40.4	41.9
<b>Margin Analysis</b>														
Gross Margin		NA	NA	NA	NA	NA	NA	NA	85.0%	85.0%	81.6%	81.0%	80.7%	80.2%
SG&A (% of Revenue)		NA	NA	NA	NA	NA	NA	NA	50.4%	35.4%	27.0%	27.1%	24.1%	21.9%
R&D (% of Revenue)		NA	NA	NA	NA	NA	NA	NA	275.4%	30.9%	10.1%	6.3%	5.0%	4.4%
Operating Margin		NA	NA	NA	NA	NA	NA	NA	-240.7%	18.7%	44.5%	47.6%	51.6%	53.9%
Pretax Margin		NA	NA	NA	NA	NA	NA	NA	-223.8%	20.8%	47.0%	50.0%	54.8%	57.9%
Net Margin		NA	NA	NA	NA	NA	NA	NA	-223.8%	20.8%	47.0%	50.0%	54.8%	57.9%
<b>Year-over-Year Growth</b>														
Revenue		NA	NA	NA	NA	NA	NA	NA	NA	715%	84%	36%	27%	15%
COGS		NA	NA	NA	NA	NA	NA	NA	NA	715%	126%	40%	30%	18%
Gross Profit		NA	NA	NA	NA	NA	NA	NA	NA	715%	76%	35%	27%	15%
SG&A		166%	84%	34%	-72%	-83%	-63%	4%	4%	473%	40%	37%	13%	5%
R&D		5906%	-10%	-29%	-48%	14%	-24%	15%	24%	-9%	-40%	-16%	2%	2%
Operating Income		634%	0%	-22%	-55%	-47%	-37%	13%	-11%	-163%	338%	45%	38%	20%
Pretax Income		627%	0%	-22%	-56%	-47%	-38%	10%	-14%	-176%	315%	44%	40%	22%
Net Income		627%	0%	-22%	-56%	-47%	-38%	10%	-14%	-176%	315%	44%	40%	22%
EPS		159%	-30%	-46%	-70%	-54%	-54%	4%	-23%	-173%	299%	39%	35%	17%
Diluted shares outstanding		180%	43%	46%	48%	14%	35%	5%	11%	4%	4%	4%	4%	4%

Source: UBS estimates, company reports

Table 3: Puma Biotechnology – Balance Sheet (2011-2020E)

	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
Cash and cash equivalents	53.4	137.4	105.8	59.6	100.4	136.0	274.2	475.2	755.6	1,097.5
Accounts receivable	0.0	10.6	0.0	0.0	0.0	12.1	33.3	48.7	64.6	77.3
Prepaid expenses and other current asset	0.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Total current assets</b>	<b>53.7</b>	<b>149.0</b>	<b>106.8</b>	<b>60.5</b>	<b>101.4</b>	<b>149.1</b>	<b>308.4</b>	<b>524.9</b>	<b>821.1</b>	<b>1,175.8</b>
Capital Expenses	0.9	1.7	1.2	1.3	1.4	1.6	1.7	1.9	2.1	2.3
D&A	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4
Property, plant and equipment, net	0.7	1.5	2.4	3.4	4.5	5.7	7.1	8.6	10.3	12.2
Other assets	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
<b>Total assets</b>	<b>55.4</b>	<b>151.7</b>	<b>110.4</b>	<b>65.1</b>	<b>107.1</b>	<b>156.0</b>	<b>316.7</b>	<b>534.8</b>	<b>832.7</b>	<b>1,189.2</b>
Accounts payable	0.1	0.5	0.5	0.6	0.0	9.2	25.3	37.1	49.1	58.8
Accrued expenses	0.5	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2
Other accrued liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total current liabilities</b>	<b>0.6</b>	<b>21.7</b>	<b>21.7</b>	<b>21.8</b>	<b>21.2</b>	<b>30.4</b>	<b>46.5</b>	<b>58.3</b>	<b>70.3</b>	<b>80.0</b>
Long-term portion of deferred rent	0.4	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total long-term liabilities</b>	<b>0.4</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
<b>Total Liabilities</b>	<b>1.0</b>	<b>22.8</b>	<b>22.8</b>	<b>22.9</b>	<b>22.3</b>	<b>31.5</b>	<b>47.6</b>	<b>59.4</b>	<b>71.4</b>	<b>81.1</b>
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	64.6	213.5	218.5	224.0	310.0	316.7	324.0	332.1	340.9	350.7
Accumulated other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Income (deficit)	-10.2	-84.6	-131.0	-181.8	-225.4	-192.4	-55.2	143.1	420.0	757.1
<b>Total Equity</b>	<b>54.4</b>	<b>128.9</b>	<b>87.5</b>	<b>42.2</b>	<b>84.6</b>	<b>124.3</b>	<b>268.9</b>	<b>475.1</b>	<b>760.9</b>	<b>1,107.8</b>
<b>Total liabilities and equity</b>	<b>55.4</b>	<b>151.7</b>	<b>110.3</b>	<b>65.1</b>	<b>106.9</b>	<b>155.8</b>	<b>316.5</b>	<b>534.5</b>	<b>832.4</b>	<b>1,188.8</b>

Source: UBS estimates, company reports

Table 4: Puma Biotechnology – Cash Flows (2011-2020E)

	2011A	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
<b>Operating Activities</b>										
GAAP Net Income (loss)	-10.2	-74.4	-46.4	-50.8	-43.6	33.0	137.2	198.2	276.9	337.1
Depreciation and amortization	0.0	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4
Share-based compensation	0.1	1.4	5.0	5.5	6.1	6.7	7.3	8.1	8.9	9.7
Anti-dilutive warrant	7.6	18.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in operating assets and liabilities:										
Accounts receivable	0.0	-10.6	10.6	0.0	0.0	-12.1	-21.2	-15.5	-15.9	-12.7
Prepaid expenses and other current assets	-0.3	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.6	0.4	0.0	0.1	-0.6	9.2	16.1	11.8	12.1	9.6
Other accrued liabilities	0.0	20.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred rent and other long term liabilities	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net cash produced (used in) operating activities</b>	<b>-2.3</b>	<b>-44.0</b>	<b>-30.5</b>	<b>-45.0</b>	<b>-37.8</b>	<b>37.1</b>	<b>139.8</b>	<b>202.9</b>	<b>282.4</b>	<b>344.2</b>
<b>Investing Activities</b>										
Restricted Cash	-1.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditures	-0.3	-1.1	-1.2	-1.3	-1.4	-1.6	-1.7	-1.9	-2.1	-2.3
<b>Net cash provided by (used in) investing activities</b>	<b>-1.3</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-1.3</b>	<b>-1.4</b>	<b>-1.6</b>	<b>-1.7</b>	<b>-1.9</b>	<b>-2.1</b>	<b>-2.3</b>
<b>Financing Activities</b>										
Proceeds from convertible note payable	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital contributions by stockholder	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net proceeds from issuances of common stock and '	56.7	129.2	0.0	0.0	80.0	0.0	0.0	0.0	0.0	0.0
<b>Net cash provided by financing activities</b>	<b>57.0</b>	<b>129.3</b>	<b>0.0</b>	<b>0.0</b>	<b>80.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Change in cash	53.4	84.0	-31.6	-46.2	40.8	35.6	138.1	201.1	280.3	341.9
Cash beginning of period	0.0	53.4	137.4	105.8	59.6	100.4	136.0	274.2	475.2	755.6
<b>Cash at end of period</b>	<b>53.4</b>	<b>137.4</b>	<b>105.8</b>	<b>59.6</b>	<b>100.4</b>	<b>136.0</b>	<b>274.2</b>	<b>475.2</b>	<b>755.6</b>	<b>1,097.5</b>

Source: UBS estimates, company reports

# Puma Biotechnology

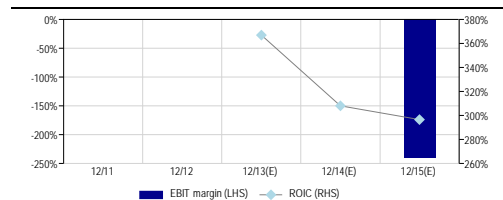
Income statement (US\$m)	-	-	-	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	% ch
Revenues	-	-	-	0	0	0	-	0	-	19	-
Operating expenses (ex depn)	-	-	-	-	-	-	-	-	-	(66)	-
EBITDA (UBS)	-	-	-	(10)	(74)	(46)	-37.6	(52)	13.2	(47)	-11.2
Depreciation	-	-	-	0	0	0	5.0	0	5.0	0	5.0
Operating income (EBIT, UBS)	-	-	-	(10)	(74)	(47)	-37.4	(53)	13.2	(47)	-11.1
Other income & associates	-	-	-	0	0	0	-	0	-	0	-
Net interest	-	-	-	0	0	0	104.1	2	850.0	3	73.7
Abnormal items (pre-tax)	-	-	-	0	0	0	-	0	-	0	-
Profit before tax	-	-	-	(10)	(74)	(46)	-37.6	(51)	9.6	(44)	-14.3
Tax	-	-	-	0	0	0	-	0	-	0	-
Profit after tax	-	-	-	(10)	(74)	(46)	-37.6	(51)	9.6	(44)	-14.3
Abnormal items (post-tax)	-	-	-	0	0	0	-	0	-	0	-
Minorities / pref dividends	-	-	-	0	0	0	-	0	-	0	-
Net income (local GAAP)	-	-	-	(10)	(74)	(46)	-37.6	(51)	9.6	(44)	-14.3
Net Income (UBS)	-	-	-	(10)	(74)	(46)	-37.6	(51)	9.6	(44)	-14.3
Tax rate (%)	-	-	-	0	0	0	-	0	-	0	-
Pre-abnormal tax rate (%)	-	-	-	0	0	0	-	0	-	0	-
Per share (US\$)	-	-	-	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	% ch
EPS (local GAAP)	-	-	-	(1.32)	(3.42)	(1.58)	-53.9	(1.64)	4.3	(1.27)	-23.0
EPS (UBS)	-	-	-	(1.32)	(3.42)	(1.58)	-53.9	(1.64)	4.3	(1.27)	-23.0
Net DPS	-	-	-	0.00	0.00	0.00	-	0.00	-	0.00	-
Cash EPS	-	-	-	(1.32)	(3.41)	(1.57)	-54.0	(1.63)	4.3	(1.26)	-23.1
BVPS	-	-	-	2.71	4.68	2.97	-36.5	1.36	-54.2	2.46	80.3
Balance sheet (US\$m)	-	-	-	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	% ch
Cash and equivalents	-	-	-	53	137	106	-23.0	60	-43.7	100	68.5
Other current assets	-	-	-	0	12	1	-91.8	1	0.0	1	0.0
Total current assets	-	-	-	54	149	107	-28.3	61	-43.3	101	67.4
Net tangible fixed assets	-	-	-	1	2	3	41.2	4	32.5	5	27.4
Net intangible fixed assets	-	-	-	0	0	0	-	0	-	0	-
Investments / other assets	-	-	-	1	1	1	0.0	1	0.0	1	0.0
Total assets	-	-	-	55	152	111	-27.1	66	-40.7	108	63.7
Trade payables & other ST liabilities	-	-	-	1	22	22	0.2	22	0.2	21	-2.7
Short term debt	-	-	-	0	0	0	-	0	-	0	-
Total current liabilities	-	-	-	1	22	22	0.2	22	0.2	21	-2.7
Long term debt	-	-	-	0	0	0	-	0	-	0	-
Other long term liabilities	-	-	-	0	1	1	0.0	1	0.0	1	0.0
Total liabilities	-	-	-	1	23	23	0.2	23	0.2	22	-2.5
Equity & minority interests	-	-	-	54	130	88	-31.9	43	-51.3	85	99.0
Total liabilities & equity	-	-	-	55	152	111	-27.1	66	-40.7	108	63.7
Cash flow (US\$m)	-	-	-	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	% ch
Net income	-	-	-	(10)	(74)	(46)	-37.6	(51)	9.6	(44)	-14.3
Depreciation	-	-	-	0	0	0	5.0	0	5.0	0	5.0
Net change in working capital	-	-	-	0	10	11	2.1	0	-99.5	(1)	-
Other (operating)	-	-	-	8	20	5	-74.5	6	10.0	6	10.0
Net cash from operations	-	-	-	(2)	(44)	(30)	-30.8	(45)	47.7	(38)	-16.0
Capital expenditure	-	-	-	0	(1)	(1)	10.0	(1)	10.0	(1)	10.0
Net (acquisitions) / disposals	-	-	-	0	0	0	-	0	-	0	-
Other changes in investments	-	-	-	(1)	0	0	-	0	-	0	-
Cash from investing activities	-	-	-	(1)	(1)	(1)	-4.3	(1)	10.0	(1)	10.0
Increase/(decrease) in debt	-	-	-	0	0	0	-	0	-	0	-
Share issues / (repurchases)	-	-	-	57	129	0	-	0	-	80	-
Dividends paid	-	-	-	0	0	0	-	0	-	0	-
Other cash from financing	-	-	-	0	0	0	-	0	-	0	-
Cash from financing activities	-	-	-	57	129	0	-100.0	0	0.0	80	177777.8
Cash flow chge in cash & equivalents	-	-	-	53	84	(32)	-	(46)	-	41	-
FX / non cash items	-	-	-	-	0	0	-	0	-	0	-
Bal sheet chge in cash & equivalents	-	-	-	-	84	(32)	-	(46)	-	41	-
Core EBITDA	-	-	-	(10)	(74)	(46)	-37.6	(52)	13.2	(47)	-11.2
Maintenance capital expenditure	-	-	-	0	(1)	(1)	10.0	(1)	10.0	(1)	10.0
Maintenance net working capital	-	-	-	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	-	-	-	(10)	(75)	(47)	-36.9	(54)	13.1	(48)	-10.7

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Note: For some companies, the data represents an extract of the full company accounts.

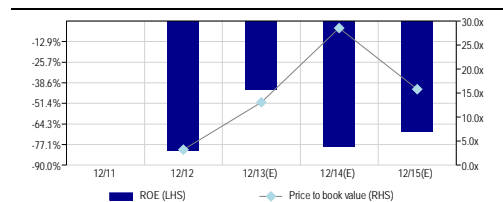
## Company profile

Puma is a biotechnology company, focused on the development of small molecules for the treatment of cancer. Its key development compound is an agent for HER2+ disease called neratinib. Neratinib is currently being studied in metastatic breast cancer, CNS disease, neoadjuvant breast cancer and lung cancer. We expect key data in 2013.

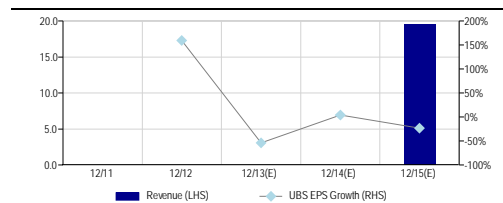
## Profitability



## ROE v Price to book value



## Growth (UBS EPS)



## Puma Biotechnology

Valuation (x)	5Yr Avg	12/11	12/12	12/13E	12/14E	12/15E
P/E (local GAAP)	-	-	NM	NM	NM	NM
P/E (UBS)	-	-	NM	NM	NM	NM
P/CEPS	-	-	NM	NM	NM	NM
Net dividend yield (%)	-	-	0.0	0.0	0.0	0.0
P/BV	-	-	3.2	13.1	28.6	15.8
EV/revenue (core)	-	-	-	-	-	NM
EV/EBITDA (core)	-	-	-3.4	-21.5	-19.7	-22.3
EV/EBIT (core)	-	-	NM	NM	NM	NM
EV/OpFCF (core)	-	-	NM	NM	NM	NM
EV/op. invested capital	-	-	NM	NM	NM	NM

Enterprise value (US\$m)	12/11	12/12	12/13E	12/14E	12/15E
Average market cap	-	344	1,116	1,116	1,116
+ minority interests	-	0	0	0	0
+ average net debt (cash)	-	(10)	(95)	(83)	(80)
+ pension obligations and other	-	0	0	0	0
- non-core asset value	-	0	0	0	0
Core enterprise value	-	249	995	1,034	1,036

Growth (%)	5Yr Avg	12/11	12/12	12/13E	12/14E	12/15E
Revenue	-	-	-	-	-	-
EBITDA (UBS)	-	-	NM	-37.6	13.2	-11.2
EBIT (UBS)	-	-	NM	-37.4	13.2	-11.1
EPS (UBS)	-	-	159.3	-53.9	4.3	-23.0
Cash EPS	-	-	158.7	-54.0	4.3	-23.1
Net DPS	-	-	-	-	-	-
BVPS	-	-	72.5	-36.5	-54.2	80.3

Margins (%)	5Yr Avg	12/11	12/12	12/13E	12/14E	12/15E
EBITDA / revenue	-	-	-	-	-	NM
EBIT / revenue	-	-	-	-	-	-240.7
Net profit (UBS) / revenue	-	-	-	-	-	NM

Return on capital (%)	5Yr Avg	12/11	12/12	12/13E	12/14E	12/15E
EBIT ROIC (UBS)	-	-	NM	NM	NM	NM
ROIC post tax	-	-	NM	NM	NM	NM
Net ROE	-	-	(81.1)	(42.9)	(78.4)	(68.7)

Coverage ratios (x)	5Yr Avg	12/11	12/12	12/13E	12/14E	12/15E
EBIT / net interest	-	-	-	-	-	-
Dividend cover (UBS EPS)	-	-	-	-	-	-
Div. payout ratio (% UBS EPS)	-	-	-	-	-	-
Net debt / EBITDA	-	5.3	1.9	2.3	1.1	2.2

Efficiency ratios (x)	5Yr Avg	12/11	12/12	12/13E	12/14E	12/15E
Revenue / op. invested capital	-	-	0.0	0.0	0.0	NM
Revenue / fixed assets	-	-	0.0	0.0	0.0	4.2
Revenue / net working capital	-	-	0.0	0.0	0.0	NM

Investment ratios (x)	5Yr Avg	12/11	12/12	12/13E	12/14E	12/15E
OpFCF / EBIT	-	1.0	1.0	1.0	1.0	1.0
Capex / revenue (%)	-	-	-	-	-	7.3
Capex / depreciation	-	NM	4.0	4.2	4.4	4.6

Capital structure (%)	5Yr Avg	12/11	12/12	12/13E	12/14E	12/15E
Net debt / total equity	-	(98.2)	NM	NM	NM	NM
Net debt / (net debt + equity)	-	NM	NM	NM	NM	NM
Net debt (core) / EV	-	-	(38.3)	(12.2)	(8.0)	(7.7)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.

Valuations: based on an average share price that year, (E): based on a share price of US\$38.93 on 31 May 2013 20:03 EDT Market cap(E) may include forecast share issues/buybacks.

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## ■ Puma Biotechnology

Puma is a biotechnology company, focused on the development of small molecules for the treatment of cancer. Its key development compound is an agent for HER2+ disease called neratinib. Neratinib is currently being studied in metastatic breast cancer, CNS disease, neoadjuvant breast cancer and lung cancer. We expect key data in 2013.

## ■ Statement of Risk

Key risks associated with a development-stage biotechnology company include: (a) the ability to finance the company through debt and equity issuances; (b) the outcome of clinical trials and regulatory approvals; and (c) the ability of management to bring its development projects to the market.

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### UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	45%	36%
Neutral	Hold/Neutral	45%	36%
Sell	Sell	11%	19%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	33%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2013.

### UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

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**UBS Securities LLC:** Matthew Harrison; Matthew Roden, PhD.

**Company Disclosures**

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
<b>Puma Biotechnology</b> <sup>2, 4, 6, 16</sup>	PBYI.N	Buy	N/A	US\$38.93	31 May 2013

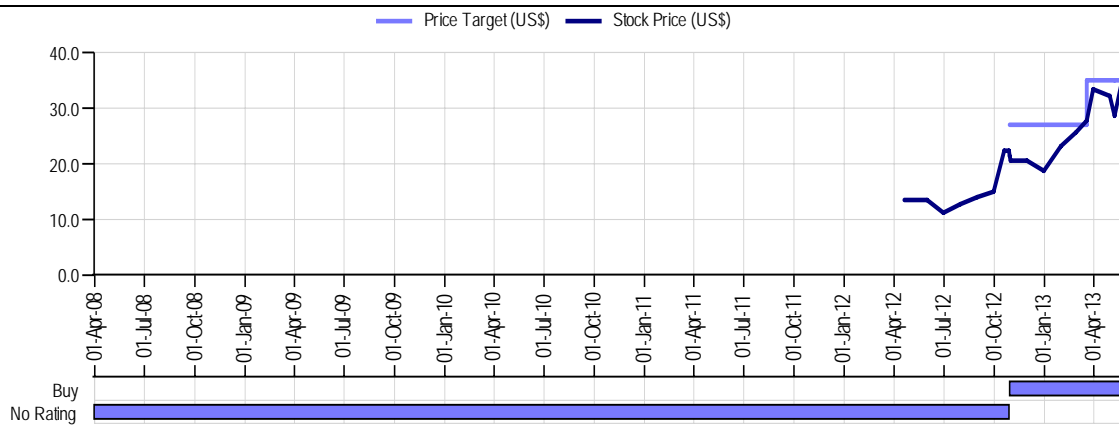
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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## Puma Biotechnology (US\$)



Source: UBS; as of 31 May 2013

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