

UBS Investment Research

Puma Biotechnology

Perjeta Panel & iSPY Thoughts

■ What's changed? Perjeta docs (9/9 or 10), panel (9/12); We look at key ?s

We see three main questions: (1) NEOSPHERE enrolled all pts (not just high-risk as required by FDA draft guidance). If only high-risk pts are analyzed does Perjeta still demonstrate a stat. sig. benefit? (2) While pCR rates were stat. sig. for Perjeta on breast alone, FDA guidance asks for pCR in breast PLUS lymph nodes. Is FDA pCR still stat. sig.? (3) NEOSPHERE was complete ~3yrs ago and DFS data should be available soon. Will the FDA wait for DFS data (i.e., confirmatory) before approving? Further, can Roche use an adjuvant study for final approval?

■ Our analysis: Multiple neratinib paths depending on panel & iSPY

We see three outcomes to the Perjeta panel: (1) FDA waits to see DFS data; (2) FDA requires a confirmatory study in high-risk pts (perhaps because of questions on sig. in the NEOSPHERE subset); or (3) FDA approves. In either of the former two possibilities, the read-through to Puma is positive as it gives Perjeta less of a head start. And in the latter, it likely means a neratinib quad wld be needed in PhIII. Ultimately, iSPY will only give us a partial answer (we continue to see the bar as similar to Herceptin) and NSABP remains the more important study (at YE).

■ Impact on the stock: Most outcomes positive

On the panel, a Perjeta approval confirms the pathway offset by a Roche lead in the market (we believe already factored into PBYI), while a Perjeta delay offers upside. Ultimately, it's the iSPY and NSABP results that should really drive PBYI.

■ Valuation: We maintain our Buy and \$61 PT

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

Highlights (US\$m)	12/11	12/12	12/13E	12/14E	12/15E
Revenues	0	0	0	0	19
EBIT (UBS)	(10)	(74)	(49)	(53)	(47)
Net Income (UBS)	(10)	(74)	(48)	(51)	(44)
EPS (UBS, US\$)	(1.32)	(3.42)	(1.67)	(1.66)	(1.28)
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	382.6	308.1	296.7
EV/EBITDA (core) x	-	-3.4	-31.8	-30.1	-33.9
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\$57.82 on 06 Sep 2013 19:38 EDT

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Global Equity Research

Americas

Biotechnology

12-month rating **Buy**
Unchanged

12m price target **US\$61.00**
Unchanged

Price **US\$57.82**

RIC: PBYI.N BBG: PBYI US

8 September 2013

Trading data

52-wk range	US\$58.94-14.00
Market cap.	US\$1.66bn
Shares o/s	28.7m (COM)
Free float	95%
Avg. daily volume ('000)	50
Avg. daily value (m)	US\$2.4

Balance sheet data 12/13E

Shareholders' equity	US\$0.09bn
P/BV (UBS)	19.6x
Net Cash (debt)	US\$0.10bn

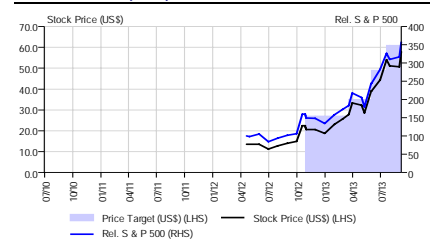
Forecast returns

Forecast price appreciation	+5.5%
Forecast dividend yield	0.0%
Forecast stock return	+5.5%
Market return assumption	5.5%
Forecast excess return	0.0%

EPS (UBS, US\$)

	12/13E	12/12
	UBS	Cons. Actual
Q1	(0.41)	(0.41) (0.59)
Q2	(0.44)	(0.44) (0.73)
Q3E	(0.39)	(0.46) (1.29)
Q4E	(0.42)	(0.50) (0.83)
12/13E	(1.67)	(1.81)
12/14E	(1.66)	(2.24)

Performance (US\$)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 5.

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Puma Biotechnology

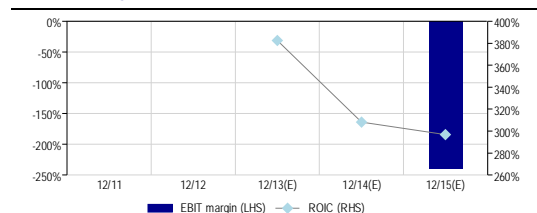
Income statement (US\$m)	-	-	-	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	% ch
Revenues	-	-	-	0	0	0	-	0	-	19	-
Operating expenses (ex depn)	-	-	-	-	-	-	-	-	-	(66)	-
EBITDA (UBS)	-	-	-	(10)	(74)	(48)	-34.9	(52)	8.5	(47)	-17.2
Depreciation	-	-	-	0	0	0	5.0	0	5.0	0	5.0
Operating income (EBIT, UBS)	-	-	-	(10)	(74)	(49)	-34.7	(53)	8.5	(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)	(48)	-34.9	(51)	5.0	(44)	-14.3
Tax	-	-	-	0	0	0	-	0	-	0	-
Profit after tax	-	-	-	(10)	(74)	(48)	-34.9	(51)	5.0	(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)	(48)	-34.9	(51)	5.0	(44)	-14.3
Net Income (UBS)	-	-	-	(10)	(74)	(48)	-34.9	(51)	5.0	(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)	(1.67)	-51.3	(1.66)	-0.1	(1.28)	-23.1
EPS (UBS)	-	-	-	(1.32)	(3.42)	(1.67)	-51.3	(1.66)	-0.1	(1.28)	-23.1
Net DPS	-	-	-	0.00	0.00	0.00	-	0.00	-	0.00	-
Cash EPS	-	-	-	(1.32)	(3.41)	(1.66)	-51.4	(1.65)	-0.1	(1.27)	-23.2
BVPS	-	-	-	2.71	4.68	2.94	-37.1	1.31	-55.3	2.43	84.6
Balance sheet (US\$m)	-	-	-	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	% ch
Cash and equivalents	-	-	-	53	137	104	-24.4	58	-44.5	98	70.9
Other current assets	-	-	-	0	12	1	-91.8	1	0.0	1	0.0
Total current assets	-	-	-	54	149	105	-29.7	59	-44.1	99	69.7
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	109	-28.4	64	-41.5	106	65.7
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	86	-33.5	41	-52.5	83	103.8
Total liabilities & equity	-	-	-	55	152	109	-28.4	64	-41.5	106	65.7
Cash flow (US\$m)	-	-	-	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	% ch
Net income	-	-	-	(10)	(74)	(48)	-34.9	(51)	5.0	(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)	(32)	-26.2	(45)	38.6	(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	17777.8
Cash flow chge in cash & equivalents	-	-	-	53	84	(34)	-	(46)	-	41	-
FX / non cash items	-	-	-	-	0	0	-	0	-	0	-
Bal sheet chge in cash & equivalents	-	-	-	-	84	(34)	-	(46)	-	41	-
Core EBITDA	-	-	-	(10)	(74)	(48)	-34.9	(52)	8.5	(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)	(49)	-34.2	(54)	8.6	(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.

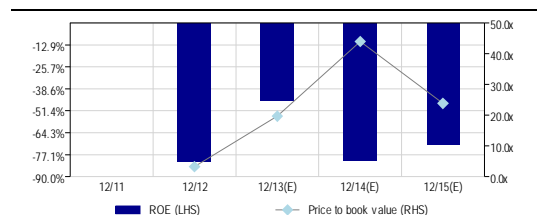
Company profile

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.

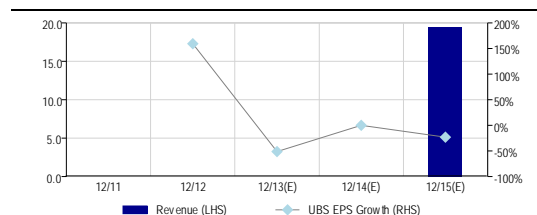
Profitability



ROE v Price to book value



Growth (UBS EPS)



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	19.6	44.0	23.8
EV/revenue (core)	-	-	-	-	-	NM
EV/EBITDA (core)	-	-	-3.4	-31.8	-30.1	-33.9
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	1,658	1,658	1,658
+ minority interests	0	0	0	0	0
+ average net debt (cash)	(10)	(95)	(121)	(81)	(78)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	0	0	0	0	0
Core enterprise value	-	249	1,537	1,577	1,580

Growth (%)	5Yr Avg	12/11	12/12	12/13E	12/14E	12/15E
Revenue	-	-	-	-	-	-
EBITDA (UBS)	-	-	NM	-34.9	8.5	-11.2
EBIT (UBS)	-	-	NM	-34.7	8.5	-11.1
EPS (UBS)	-	-	159.3	-51.3	-0.1	-23.1
Cash EPS	-	-	158.7	-51.4	-0.1	-23.2
Net DPS	-	-	-	-	-	-
BVPS	-	-	72.5	-37.1	-55.3	84.6

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)	(45.1)	(80.9)	(71.0)

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	2.1	1.1	2.1

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)	(7.8)	(5.1)	(4.9)

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\$57.82 on 06 Sep 2013 19:38 EDT Market cap(E) may include forecast share issues/buybacks.

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■ Puma Biotechnology

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■ Statement of Risk

Key risks associated with a development-stage biotechnology company such as Puma 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 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	46%	35%
Neutral	Hold/Neutral	44%	37%
Sell	Sell	10%	22%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	less than 1%
Sell	Sell	less than 1%	less than 1%

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 30 June 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.

KEY DEFINITIONS

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

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

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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
Puma Biotechnology ^{2, 4, 6, 16}	PBYI.N	Buy	N/A	US\$57.82	06 Sep 2013

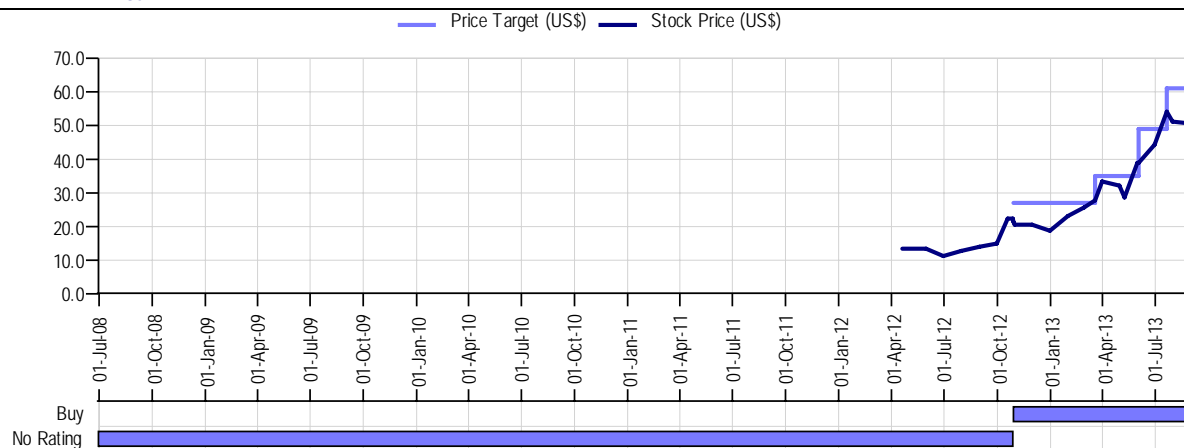
Source: UBS. All prices as of local market close.

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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Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Puma Biotechnology (US\$)



Source: UBS; as of 06 Sep 2013

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