

December 11, 2012

Gregory R. Wade, Ph.D. (415) 274-6863

David M. Nierengarten, Ph.D. (415) 274-6862

Christopher N. Marai, Ph.D. (415) 274-6861

Durata Therapeutics (DRTX - OUTPERFORM): Phase III DISCOVER 1 Trial Meets Endpoint, DISCOVER 2 Up Next, Reiterate OUTPERFORM

Price: \$8.76

12-Month Price Target: \$20

- Durata announced that its Phase III DISCOVER 1 trial of dalbavancin for the treatment of acute bacterial skin and skin structure infections (ABSSSI) had met its primary endpoint of non-inferiority to vancomycin (with the option of switching to linezolid after initial 3-day vancomycin treatment). The non-inferiority margin to meet was 10% at 48-72 hours after therapy started, measured by fever or cessation of lesion spreading. The primary endpoint was met by 83.0% of dalbavancin-treated patients and 81.8% of vancomycin/linezolid patients.
- Dalbavancin was well-tolerated, with a lower adverse event rate than vancomycin/linezolid (12.3% vs. 18.3%). Of note, given dalbavancin's long half-life, treatment emergent adverse events after the Day 28 visit were less common in the dalbavancin arm (4.2%) than the comparator (8.5%). Discontinuation rates due to adverse events were also lower in the dalbavancin arm at 1.8% vs. 2.1%.
- We also expect the upcoming DISCOVER 2 Phase III trial to meet its primary endpoint (likely in Q1:13). We continue to view dalbavancin as a de-risked asset, as it had met primary endpoints in three earlier Phase III trials and now the DISCOVER 1 trial.
- Regulatory filings could come in mid:13 in both the US and EU. Other catalysts are in the chart below:
YE:12 Results of 960 patient first Phase III study of oritavancin (SOLO-1) in the abSSSI setting
~~YE:12 Top-line Phase III results for dalbavancin (DISCOVER 1) in the abSSSI setting~~
Q1:13 Top-line Phase III results for dalbavancin (DISCOVER 2) in the abSSSI setting
H2:12 Potential completion of enrollment in the second Phase III study of oritavancin (SOLO-2) in the abSSSI setting
H2:12 Potential re-partnering transaction for THRX of Vibativ (telavancin)
Mid:13 Potential EU MAA filing for dalbavancin in the abSSSI setting
Mid:13 Potential US NDA filing for oritavancin in the abSSSI setting with an anticipated 6 month review cycle
H1:13 Potential NDA filing with FDA for dalbavancin
- Reiterate OUTPERFORM rating and \$20 price target. Our \$20 share price target is derived from the net present value (25% discount rate) of our estimate of profits and losses for DRTX through our projection of the end of dalbavancin's exclusivity period in the U.S. and EU in 2027 and 2023, respectively, with no terminal value and cash per share in 12 months.
- Risks to our price target include; 1) dalbavancin to demonstrate non-inferiority ongoing Phase III abSSSI clinical trials, 2) commercial and launch risks, 3) regulatory risks and 4) risks to the IP estate of Durata and dalbavancin in the U.S. and ROW.

Wedbush Securities does and seeks to do business with companies covered in its research reports. Thus, 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. Please see page 4 of this report for analyst certification and important disclosure information.

Exhibit 1: DISCOVER 1 Endpoint Analysis

DISCOVER 1**Efficacy Analysis: Primary Endpoint**

Endpoint	Patient Population	Dalbavancin	Vancomycin / linezolid	Difference (95% Confidence Interval)
Primary (Early Response)	ITT	239/288 (83.0%)	233/285 (81.8%)	1.2% (-4.9, 7.6)
Sensitivity analysis (>20% reduction in lesion area at 48-72 hours)	ITT	258/288 (89.6%)	259/285 (90.9%)	-1.3% (-6.1, 3.7)

Source: Company Reports

Exhibit 2: DISCOVER 1 Safety Profile

DISCOVER 1**Safety Assessment**

Patients who experienced at least one of:	Dalbavancin (N= 284)	Vancomycin/ linezolid (N= 284)
Adverse event	113 (39.8%)	117 (41.2%)
Treatment emergent adverse event (TEAE)	99 (34.9%)	112 (39.4%)
TEAE with onset through the SFU (D28) visit	96 (33.8%)	108 (38.0%)
TEAE with onset after the SFU (D28) visit	12 (4.2%)	24 (8.5%)
Drug Related TEAE	35 (12.3%)	52 (18.3%)
Treatment emergent serious adverse events (SAE)	5 (1.8%)	12 (4.2%)
Drug related treatment emergent SAE	0	2 (0.7%)
Treatment emergent SAE leading to death	0	5 (1.8%)
TEAE leading to premature discontinuation (d/c) from drug	5 (1.8%)	6 (2.1%)

Source: Company Reports

Exhibit 3: DISCOVER 1 Adverse Event Profile

DISCOVER 1

Adverse Events

	Dalbavancin (N=284)		Vancomycin/linezolid (N=284)	
	Unrelated	Related	Unrelated	Related
Patients with at least one TEAE through SFU (D 28)	61 (21.5%)		56 (19.7%)	
		35 (12.3%)		52 (18.3%)
TEAE at $\geq 2\%$ in any arm				
Nausea	5 (1.8%)	7 (2.5%)	1 (0.4%)	12 (4.2%)
Diarrhea	2 (0.7%)	2 (0.7%)	2 (0.7%)	9 (3.2%)
Headache	5 (1.8%)	9 (3.2%)	7 (2.5%)	7 (2.5%)
Pruritus	0	1 (0.4%)	2 (0.7%)	9 (3.2%)
Hypertension	7 (2.5%)	0	7 (2.5%)	0
Rash	2 (0.7%)	3 (1.1%)	1 (0.4%)	5 (1.8%)
Asthenia	1 (0.4%)	0	5 (1.8%)	1 (0.4%)

Source: Company Reports

Analyst Certification

I, Gregory R. Wade, Ph.D., David M. Nierengarten, Ph.D., Christopher N. Marai, Ph.D., certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

Disclosure information regarding historical ratings and price targets is available at <http://www.wedbush.com/ResearchDisclosure/DisclosureQ312.pdf>

Investment Rating System:

Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Underperform: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating Distribution (as of September 30, 2012)	Investment Banking Relationships (as of September 30, 2012)
Outperform: 54%	Outperform: 13%
Neutral: 42%	Neutral: 0%
Underperform: 4%	Underperform: 0%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

The analysts responsible for preparing research reports do not receive compensation based on specific investment banking activity. The analysts receive compensation that is based upon various factors including WS' total revenues, a portion of which are generated by WS' investment banking activities.

Wedbush Equity Research Disclosures as of December 11, 2012

Company	Disclosure
Durata Therapeutics	1,3,4,5,7

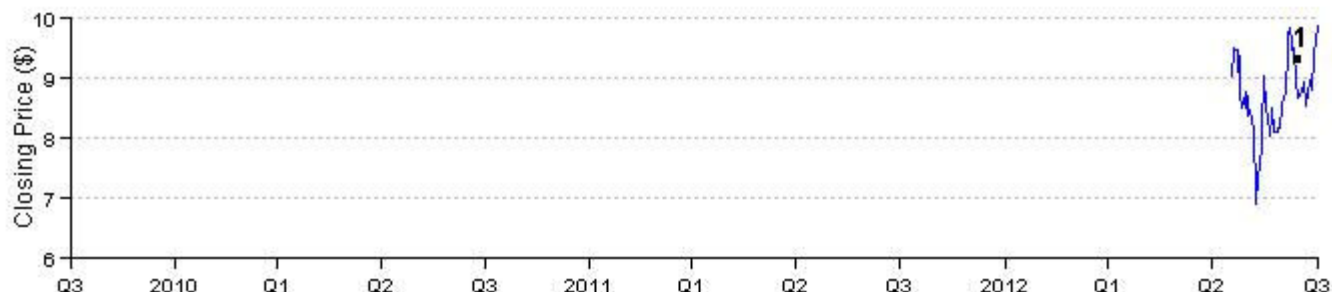
Research Disclosure Legend

1. WS makes a market in the securities of the subject company.
2. WS managed a public offering of securities within the last 12 months.
3. WS co-managed a public offering of securities within the last 12 months.
4. WS has received compensation for investment banking services within the last 12 months.
5. WS provided investment banking services within the last 12 months.
6. WS is acting as financial advisor.
7. WS expects to receive compensation for investment banking services within the next 3 months.
8. WS provided non-investment banking securities-related services within the past 12 months.
9. WS has received compensation for products and services other than investment banking services within the past 12 months.
10. The research analyst, a member of the research analyst's household, any associate of the research analyst, or any individual directly involved in the preparation of this report has a long position in the common stocks.
11. WS or one of its affiliates beneficially own 1% or more of the common equity securities.
12. The analyst maintains Contingent Value Rights that enables him/her to receive payments of cash upon the company's meeting certain clinical and regulatory milestones.

Price Charts

Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.

DRTX

1) 09/10/12
OUTPERFORM \$20


* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.

Please access the attached hyperlink for WS' Coverage Universe: <http://www.wedbush.com/services/cmg/equities-division/research/equity-research>. Applicable disclosure information is also available upon request by contacting Ellen Kang in the Research Department at (213) 688-4529, by email to ellen.kang@wedbush.com, or the Business Conduct Department at (213) 688-8090. You may also submit a written request to the following: Business Conduct Department, 1000 Wilshire Blvd., Los Angeles, CA 90017.

OTHER DISCLOSURES

RESEARCH DEPT. * (213) 688-4505 * www.wedbush.com

EQUITY TRADING Los Angeles (213) 688-4470 / (800) 421-0178 * **EQUITY SALES** Los Angeles (800) 444-8076

CORPORATE HEADQUARTERS (213) 688-8000

The information herein is based on sources that we consider reliable, but its accuracy is not guaranteed. The information contained herein is not a representation by this corporation, nor is any recommendation made herein based on any privileged information. This information is not intended to be nor should it be relied upon as a complete record or analysis; neither is it an offer nor a solicitation of an offer to sell or buy any security mentioned herein. This firm, Wedbush Securities, its officers, employees, and members of their families, or any one or more of them, and its discretionary and advisory accounts, may have a position in any security discussed herein or in related securities and may make, from time to time, purchases or sales thereof in the open market or otherwise. The information and expressions of opinion contained herein are subject to change without further notice. The herein mentioned securities may be sold to or bought from customers on a principal basis by this firm. Additional information with respect to the information contained herein may be obtained upon request.

WEDBUSH

EQUITY RESEARCH DEPARTMENT

(213) 688-4529

DIRECTOR OF RESEARCH

Mark D. Benson (213) 688-4435

MANAGER, RESEARCH OPERATIONS

Ellen Kang (213) 688-4529

RETAIL AND CONSUMER

Consumer Products

Rommel T. Dionisio (212) 938-9934
Kurt M. Frederick, CFA CPA (415) 274-6822

Footwear, Apparel and Accessories

Corinna Freedman (212) 668-9876

Healthy Lifestyles

Kurt M. Frederick, CFA CPA (415) 274-6822

Restaurants

Nick Setyan (213) 688-4519
Colin Radke (213) 688-6624

Specialty Retail: Hardlines

Joan L. Storms, CFA (213) 688-4537
John Garrett, CFA (213) 688-4523

Specialty Retail: Softlines

Betty Chen (415) 273-7328
Alex Pham (415) 273-7315

RETAIL/CONSUMER MARKET RESEARCH

Gabriella Santaniello (213) 688-4557

CLEAN TECHNOLOGY AND INDUSTRIAL GROWTH

Clean Technology

Craig Irwin (212) 938-9926

Environmental Services

Al Kaschalk (213) 688-4539

Industrial Biotechnology

Liana Moussatos, Ph.D. (415) 263-6626
Christopher N. Marai, Ph.D. (415) 274-6861

Water and Renewable Energy Solutions

David Rose, CFA (213) 688-4319

TECHNOLOGY, MEDIA AND TELECOM

Communications Equipment

Rohit Chopra (212) 668-9871
Sanjit Singh (212) 938-9922
Ryan Flanagan (212) 938-9942

Computer Services: Financial Technology

Gil B. Luria (213) 688-4501

Enterprise Software

Steve Koenig (415) 274-6801

Entertainment: Retail

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Alicia Reese (212) 938-9927

Entertainment: Software

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343

Internet and E-Commerce

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Alicia Reese (212) 938-9927

Media

James Dix, CFA (213) 688-4315
Alicia Reese (212) 938-9927

Movies and Entertainment

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Alicia Reese (212) 938-9927

Semiconductors

Betsy Van Hees (415) 274-6869
Ryan Jue, CFA (415) 263-6669

LIFE SCIENCES

Biotechnology/Biopharmaceuticals/BioDefense

Gregory R. Wade, Ph.D. (415) 274-6863
David M. Nierengarten, Ph.D. (415) 274-6862
Christopher N. Marai, Ph.D. (415) 274-6861

Cardiovascular, Hepatic and Devices

Akiva Felt (415) 263-6648

Emerging Pharmaceuticals

Liana Moussatos, Ph.D. (415) 263-6626
Richard Lau (415) 274-6851
Christopher N. Marai, Ph.D. (415) 274-6861

Healthcare Services - Managed Care

Sarah James (213) 688-4503
Daniel Patt (212) 938-9937

Medical Diagnostics and Life Sciences Tools

Zarak Khurshid (415) 274-6823

EQUITY SALES

Los Angeles (213) 688-4470 / (800) 444-8076
San Francisco (415) 274-6800
New York (212) 938-9931
Boston (617) 832-3700

EQUITY TRADING

Los Angeles (213) 688-4470 / (800) 421-0178
San Francisco (415) 274-6811
New York (212) 344-2382
Boston (617) 832-3700

CORPORATE HEADQUARTERS

1000 Wilshire Blvd., Los Angeles, CA 90017-2465
Tel: (213) 688-8000 www.wedbush.com