

UBS Investment Research Puma Biotechnology

Thoughts From Management Meeting

■ What's changed? We met with mgt. and focus on the key events for 2013

Key updates: (1) Mgt. continues to work with FDA on the SPA for the PhIII 2nd/3rd line mBC trial and should complete negotiations in 1H13. Mgt. expects to file for accelerated approval on PFS with OS as confirmatory. (2) Mgt. remains on track for a mid-year SPA in the 3rd/4th line mBC trial with ORR as the accelerated approval endpoint and OS as confirmatory. (3) The study in CNS disease should come around SABCS (Dec 2013). Evidence suggests that prophylactic use of Imodium has reduced Gr3 diarrhea from ~30% down to ~7-8%.

■ Add'l updates

(4) The neo-adjuvant NSABP study remains on track for a 2013 read-out. (5) The study of neratinib in HER2 mutated lung cancer will enroll soon using centers which are already genotyping pts. It will include two arms: neratinib and neratinib + Torisel (n=12 each). It will then expand to the preferred regimen after initial data. (6) The HER2- mutated BC study is enrolling. Enrollment is progressing well (perhaps quicker than expected) due to many clinics finding out they already had one or two patients with the mutation as institutions were already sequencing.

■ Impact on the stock: We continue to like the risk/reward here

We continue to view 2013 as a year full of catalysts, each of which has sufficient clinical rationale, which could have a significant positive impact on valuation. Right now we are most excited about mBC, neo-adjuvant and lung cancer.

■ Valuation: We maintain our Buy rating and \$27 PT

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

Highlights (US\$m)	-	12/11	12/12E	12/13E	12/14E
Revenues	-	0	0	0	0
EBIT (UBS)	-	(10)	(64)	(31)	(50)
Net Income (UBS)	-	(10)	(64)	(30)	(48)
EPS (UBS, US\$)	-	(1.32)	(2.98)	(1.03)	(1.58)
Net DPS (UBS, US\$)	-	0.00	0.00	0.00	0.00
Profitability & Valuation	5-vr hist av	12/11	12/12F	12/13F	12/1/F
Profitability & Valuation	5-yr hist av.	12/11	12/12E	12/13E	12/14E
Profitability & Valuation EBIT margin %	5-yr hist av.	12/11 -	12/12E -	12/13E -	12/14E -
			12/12E - <-500	12/13E - <-500	12/14E - <-500
EBIT margin %			-	-	-
EBIT margin % ROIC (EBIT) %		-	<-500	<-500	<-500
EBIT margin % ROIC (EBIT) % EV/EBITDA (core) x		-	<-500 -6.9	<-500 -13.9	<-500 -9.1

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\$19.01 on 07 Jan 2013 18:41 EST N

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Global Equity Research Americas

7.111011040	
Biotechnology	
12-month rating	Buy <i>Unchanged</i>
12m price target	US\$27.00 <i>Unchanged</i>
Price	US\$19.01

RIC: PBYI.N BBG: PBYI US

Ralance sheet data 12/12F

7 January 2013

Trading data	
52-wk range	US\$22.60-11.00
Market cap.	US\$0.52bn
Shares o/s	27.5m (COM)
Free float	95%
Avg. daily volume ('000)	31
Avg. daily value (m)	US\$0.7

Dalarice Sticet data 12/12L	
Shareholders' equity	US\$0.13br
P/BV (UBS)	3.2>
Net Cash (debt)	US\$0.13br
Forecast returns	
Forecast price appreciation	+42.0%
Forecast dividend yield	0.0%

Forecast price appreciation	+42.0%
Forecast dividend yield	0.0%
Forecast stock return	+42.0%
Market return assumption	5.3%
Forecast excess return	+36.7%

EPS (UBS, US\$)

	12/	12E	12/11
	UBS	Cons.	Actual
Q1	(0.59)	(0.59)	-
Q2	(0.73)	(0.74)	-
Q3	(1.29)	(1.29)	-
Q4E	(0.45)	(0.65)	-
12/12E	(2.98)	(3.11)	
12/13E	(1.03)	(2.36)	





Source: UBS

www.ubs.com/investmentresearch

Puma Biotechnology

Income statement (US\$m)	-	-	-	-	12/11	12/12E	% ch	12/13E	% ch	12/14E	% ch
Revenues	-	-	-	-	0	0	-	0	-	0	- (5.4
Operating expenses (ex depn)	-	-	-	-	(10)	(63)	518.8	(30)	-52.7	(49)	65.6
EBITDA (UBS)	-	-	-	-	(10)	(63)	518.8	(30)	-52.7	(49)	65.6
Depreciation	-	-	-	-	0	(1)	9244.0	(1)	5.0	(1)	5.0
Operating income (EBIT, UBS)	-	-	-	-	(10)	(64)	528.0	(31)	<i>-51.8</i>	(50)	63.5
Other income & associates	-	-	-	-	0	0	1554.7	0	1170.0	0	107.5
Net interest	-	-	-	-	0	0	1554.7	1	1178.0	2	137.5
Abnormal items (pre-tax)	-	-	-	-	0	0	-	0		0	-
Profit before tax	-	-	-	-	(10)	(64)	522.7	(30)	<i>-53.0</i>	(48)	61.6
Tax	-	-	-	-	0	0	-	0		0	-
Profit after tax	-	-	-	-	(10)	(64)	522.7	(30)	<i>-53.0</i>	(48)	61.6
Abnormal items (post-tax)	-	-	-	-	0	0	-	0	-	0	-
Minorities / pref dividends	-	-	-	-	0	0	-	0	-	0	-
Net income (local GAAP)	-	-	-	-	(10)	(64)	522.7	(30)	-53.0	(48)	61.6
Net Income (UBS)	-	-	-	-	(10)	(64)	522.7	(30)	-53.0	(48)	61.6
Tax rate (%)					0	0		0		0	
Pre-abnormal tax rate (%)	-	-	-	-	0	0		0	-	0	
Tre abnormal tax rate (70)						Ü		· ·		Ü	
Per share (US\$)	-	-	-	-	12/11	12/12E	% ch	12/13E	% ch	12/14E	% ch
EPS (local GAAP)	-	-	-	-	(1.32)	(2.98)	125.8	(1.03)	-65.4	(1.58)	53.6
EPS (UBS)	-	-	-	-	(1.32)	(2.98)	125.8	(1.03)	-65.4	(1.58)	53.6
Net DPS	-	-	-	-	0.00	0.00	-	0.00	-	0.00	-
Cash EPS	-	-	-	-	(1.32)	(2.93)	122.5	(1.00)	-66.1	(1.55)	55.6
BVPS	-	-	-	-	2.71	6.01	121.6	3.54	-41.2	1.92	-45.7
Balance sheet (US\$m)	-	-	-	-	12/11	12/12E	% ch	12/13E	% ch	12/14E	% ch
Cash and equivalents	-	-	-	-	53	125	135.0	97	-22.4	51	-47.7
Other current assets	-	-	-	-	0	0	0.0	0	0.0	0	0.0
Total current assets	-	-	-	-	54	126	134.3	98	-22.4	51	-47.6
Net tangible fixed assets	-	-	-	-	1	3	293.2	5	83.9	7	<i>51.2</i>
Net intangible fixed assets	-	-	-	-	0	0	-	0	-	0	-
Investments / other assets	-	-	-	-	1	1	0.0	1	0.0	1	0.0
Total assets	-	-	-	-	55	129	133.7	104	-20.0	60	-42.4
Trade payables & other ST liabilities	-	-	-	-	1	1	1.5	1	1.6	1	1.7
Short term debt	-	-	-	-	0	0	-	0	-	0	-
Total current liabilities	-	-	-	-	1	1	1.5	1	1.6	1	1.7
Long term debt	-	-	-	-	0	0	-	0	-	0	_
Other long term liabilities	-	-	-	-	0	0	0.0	0	0.0	0	0.0
Total liabilities	-	-	-	-	1	1	0.8	1	0.9	1	1.0
Equity & minority interests	-	-	-	-	54	128	136.2	103	-20.2	59	-42.8
Total liabilities & equity	-	-	-	-	55	129	133.7	104	-20.0	60	-42.4
Cash flow (US\$m)	-	-	-	-	12/11	12/12E	% ch	12/13E	% ch	12/14E	% ch
Net income	-	-	-	-	(10)	(64)	522.7	(30)	-53.0	(48)	61.6
Depreciation	-	-	-	-	0	1	9244.0	1	5.0	1	5.0
Net change in working capital	-	-	-	_	0		-97.2	0	10.0	0	10.0
					-	0					
Other (operating)	-	-	-	-	8	8	4.5	4	-50.0	4	10.0
Other (operating) Net cash from operations	-	-	-	-	8 (2)	8 (55)	2324.7	(25)	-54.5	(43)	72.3
Other (operating) Net cash from operations Capital expenditure	-			-	8 (2) 0	(55) (3)		(25)		(43) (4)	
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals	- - -	- - -	- - -	-	(2) 0 0	(55) (3) 0	2324.7	(25) (3) 0	-54.5	(43) (4) 0	72.3
Other (operating) Net cash from operations Capital expenditure	- - - - -	- - - -	- - - -	- - - -	8 (2) 0 0 (1)	(55) (3) 0	2324.7	(25) (3) 0	-54.5	(43) (4) 0 0	72.3
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals	- - - - -	- - - - -	- - - - -	-	(2) 0 0	(55) (3) 0	2324.7	(25) (3) 0	-54.5	(43) (4) 0	72.3
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities Increase/(decrease) in debt	- - - - - -	- - -	- - -	- - -	8 (2) 0 0 (1) (1)	(55) (3) 0	2324.7 1088.9 -	(25) (3) 0 0 (3)	-54.5 10.0 -	(43) (4) 0 0 (4)	72.3 10.0 -
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities		- - -	- - -	- - -	8 (2) 0 0 (1) (1)	(55) (3) 0 0 (3)	2324.7 1088.9 - - 129.8	(25) (3) 0 0 (3)	-54.5 10.0 -	(43) (4) 0 0 (4)	72.3 10.0 -
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities Increase/(decrease) in debt		- - -	- - -	- - -	8 (2) 0 0 (1) (1)	8 (55) (3) 0 0 (3)	2324.7 1088.9 - - 129.8	(25) (3) 0 0 (3)	-54.5 10.0 -	(43) (4) 0 0 (4)	72.3 10.0 -
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities Increase/(decrease) in debt Share issues / (repurchases)		- - -	- - -	- - -	8 (2) 0 0 (1) (1) 0 57	(55) (3) 0 0 (3) 0 130	2324.7 1088.9 - - 129.8	(25) (3) 0 0 (3) 0 0	-54.5 10.0 -	(43) (4) 0 0 (4) 0	72.3 10.0 -
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities Increase/(decrease) in debt Share issues / (repurchases) Dividends paid	- - -		- - - - -		8 (2) 0 0 (1) (1) (1) 0 57 0	(55) (3) 0 0 (3) 0 130	2324.7 1088.9 - - 129.8	(25) (3) 0 0 (3) 0 0	-54.5 10.0 - - 10.0	(43) (4) 0 0 (4) 0 0	72.3 10.0 -
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities Increase/(decrease) in debt Share issues / (repurchases) Dividends paid Other cash from financing Cash from financing activities	- - - -	- - - - - - - -	- - - - - - - -		8 (2) 0 (1) (1) (1) 57 0 0	8 (55) (3) 0 0 (3) 0 130 0 130	2324.7 1088.9 - - 129.8 - - - 127.8	(25) (3) 0 0 (3) 0 0 0 0	-54.5 10.0 - - 10.0 - - -	(43) (4) 0 0 (4) 0 0 0 0	72.3 10.0 - - 10.0 - - -
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Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities Increase/(decrease) in debt Share issues / (repurchases) Dividends paid Other cash from financing Cash from financing activities Cash flow chge in cash & equivalents FX / non cash items			- - - - - - - - -		8 (2) 0 (1) (1) (1) 0 57 0 0 57	8 (55) (3) 0 0 (3) 0 0 130 0 0 130 72 0 0	2324.7 1088.9 - - 129.8 - - - 127.8	(25) (3) 0 0 (3) 0 0 0 0 0	-54.5 10.0 - - 10.0 - - - - -	(43) (4) 0 0 (4) 0 0 0 0 0 0	72.3 10.0 - - 10.0 - - - -
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities Increase/(decrease) in debt Share issues / (repurchases) Dividends paid Other cash from financing Cash from financing activities Cash flow chge in cash & equivalents			- - - - - - - - - -		8 (2) 0 (1) (1) (1) 0 57 0 0 57	8 (55) (3) 0 0 (3) 0 130 0 130	2324.7 1088.9 - - 129.8 - - - - 127.8	(25) (3) 0 0 (3) 0 0 0 0 0	-54.5 10.0 - - 10.0 - - - -	(43) (4) 0 0 (4) 0 0 0 0 0 0	72.3 10.0 - - 10.0 - - -
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities Increase/(decrease) in debt Share issues / (repurchases) Dividends paid Other cash from financing Cash from financing activities Cash flow chge in cash & equivalents FX / non cash items Bal sheet chge in cash & equivalents			- - - - - - - - -		8 (2) 0 0 (1) (1) (1) 0 57 0 0 57 53 -	8 (55) (3) 0 0 (3) (3) 0 130 0 0 130 72 0 72	2324.7 1088.9 - 129.8 - - - 127.8	(25) (3) 0 0 (3) 0 0 0 0 0 (28)	-54.5 10.0 - - 10.0 - - - - -	(43) (4) 0 0 (4) 0 0 0 0 0 0 0 (46)	72.3 10.0
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities Increase/(decrease) in debt Share issues / (repurchases) Dividends paid Other cash from financing Cash from financing activities Cash flow chge in cash & equivalents FX / non cash items Bal sheet chge in cash & equivalents Core EBITDA			- - - - - - - - -		8 (2) 0 (1) (1) (1) 0 57 0 0 57 53	8 (55) (3) 0 0 (3) (3) 0 130 0 130 72 0 72 (63)	2324.7 1088.9 - - 129.8 - - - 127.8	(25) (3) 0 0 (3) 0 0 0 0 0 (28) (28)	-54.5 10.0 - - 10.0 - - - - - - - -	(43) (44) 0 0 (4) 0 0 0 (4) 0 0 0 0 (46) 0 (46)	72.3 10.0 10.0 65.6
Other (operating) Net cash from operations Capital expenditure Net (acquisitions) / disposals Other changes in investments Cash from investing activities Increase/(decrease) in debt Share issues / (repurchases) Dividends paid Other cash from financing Cash from financing activities Cash flow chge in cash & equivalents FX / non cash items Bal sheet chge in cash & equivalents			- - - - - - - - -		8 (2) 0 0 (1) (1) (1) 0 57 0 0 57 53 -	8 (55) (3) 0 0 (3) (3) 0 130 0 0 130 72 0 72	2324.7 1088.9 - 129.8 - - - 127.8	(25) (3) 0 0 (3) 0 0 0 0 0 (28)	-54.5 10.0 - - 10.0 - - - - -	(43) (4) 0 0 (4) 0 0 0 0 0 0 0 (46)	72.3 10.0

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.

Global Equity Research

Americas

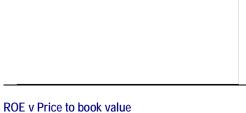
Biotechnology

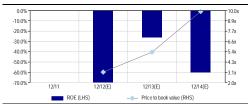
12-month rating	Buy
12m price target	US\$27.00

Company profile

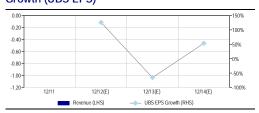
Puma is a biotechnology company, focused on the development of small molecules for the treatment of cancer. Its key development compound is an agent for HER2+ disease called neratinib. Neratinib is currently being studied in metastatic breast cancer, CNS disease, neoadjuvant breast cancer and lung cancer.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

Profitability





Growth (UBS EPS)



Puma Biotechnology

Valuation (x)	5Yr Avg	-	12/11	12/12E	12/13E	12/14E
P/E (local GAAP)	-	-	-	NM	NM	NM
P/E (UBS)	-	-	-	NM	NM	NM
P/CEPS	-	-	-	NM	NM	NM
Net dividend yield (%)	-	-	-	0.0	0.0	0.0
P/BV	-	-	-	3.2	5.4	9.9
EV/revenue (core)	-	-	-	-	-	-
EV/EBITDA (core)	-	-	-	-6.9	-13.9	-9.1
EV/EBIT (core)	-	-	-	NM	NM	NM
EV/OpFCF (core)	-	-	-	NM	NM	NM
EV/op. invested capital	-	-	-	NM	NM	NM
Enterprise value (US\$m)		-	12/11	12/12E	12/13E	12/14E
Average market cap		-	-	524	524	524
+ minority interests		-	0	0	0	0
+ average net debt (cash)		-	(10)	(89)	(111)	(74)
+ pension obligations and other		-	0	0	0	0
- non-core asset value		-	0	0	0	0
Core enterprise value		-	-	434	412	449
Growth (%)	5Yr Avg	-	12/11	12/12E	12/13E	12/14E
Revenue	-	-	-	-		-
EBITDA (UBS)	-	-	-	NM	-52.7	65.6
EBIT (UBS)	-	-	-	NM	-51.8	63.5
EPS (UBS)	-	-	-	125.8	-65.4	53.6
Cash EPS	-	-	-	122.5	-66.1	55.6
Net DPS	-	-	-	-	-	-
BVPS	-	-	-	121.6	-41.2	-45.7
Margins (%)	5Yr Avg	-	12/11	12/12E	12/13E	12/14E
EBITDA / revenue	-	-	-	-	-	-
EBIT / revenue	=	-	-	-	-	-
Net profit (UBS) / revenue	-	-	-	-	-	
Return on capital (%)	5Yr Avg	-	12/11	12/12E	12/13E	12/14E
EBIT ROIC (UBS)	=	-	-	NM	NM	NM
ROIC post tax	=	-	-	NM	NM	NM
Net ROE	=	-	-	(69.6)	(25.9)	(60.0)
Coverage ratios (x)	5Yr Avg		12/11	12/12E	12/13E	12/14E
EBIT / net interest		-	-	-	-	
Dividend cover (UBS EPS)	-	-	-	-	-	
Div. payout ratio (%, UBS EPS)	-	-	-	-	-	
Net debt / EBITDA	-	-	5.3	2.0	3.3	1.0
Efficiency ratios (x)	5Yr Avg	-	12/11	12/12E	12/13E	12/14E
Revenue / op. invested capital	-	-	-	0.0	0.0	0.0
Revenue / fixed assets	-	-	-	0.0	0.0	0.0
Revenue / net working capital	-	-	-	0.0	0.0	0.0
Investment ratios (x)	5Yr Avg	-	12/11	12/12E	12/13E	12/14E
OpFCF / EBIT	-	-	1.0	1.0	1.1	1.1
Capex / revenue (%)	-	-	-	-	-	
	_	-	NM	3.0	3.1	3.3
Capex / depreciation						
Capex / depreciation Capital structure (%)	5Yr Avg	-	12/11	12/12E	12/13E	12/14E
•	5Yr Avg	-	12/11 (98.2)	12/12E (97.7)	12/13E (94.9)	12/14E (86.8)
Capital structure (%)	5Yr Avg - -					

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

Valuations: based on an average share price that year, (E): based on a share price of US\$19.01 on 07 Jan 2013 18:41 EST 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 biotechology 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.

■ Analyst Certification

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	48%	34%
Neutral	Hold/Neutral	42%	35%
Sell	Sell	9%	18%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
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.

Source: UBS. Rating allocations are as of 31 December 2012.

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.

^{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.

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.

Equity Price Targets have an investment horizon of 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
Puma Biotechnology ^{2, 4, 5, 6, 16}	PBYI.N	Buy	N/A	US\$19.01	07 Jan 2013

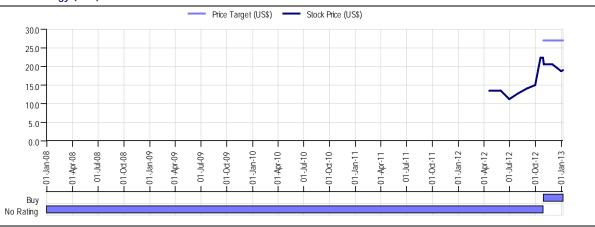
Source: UBS. All prices as of local market close.

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Puma Biotechnology (US\$)



Source: UBS; as of 07 Jan 2013

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