Rating
Buy

North America
United States

Health Care
Biotechnology

Company
Tesaro Alert

Reuters	Bloomberg	Exchange	Ticker
TSRO.OQ	TSRO US	NMS	TSRO

Date
15 February 2013

Company Update

Price at 14 Feb 2013 (USD)	19.77
Price target	27.00
52-week range	19.77 - 11.25

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Stock & option liquidity data	
Market cap (USD)	269.4
Shares outstanding (m)	13.6
Free float (%)	100
Volume (14 Feb 2013)	8,121
Option volume (und. shrs., 1M avg.)	–

Key data			
FYE 12/31	2011A	2012E	2013E
1Q EPS	–	–	–
2Q EPS	–	–	–
3Q EPS	–	–	–
4Q EPS	–	–	–
FY EPS (USD)	-31.90	-4.53	-2.90
P/E (x)	–	–	–

* Includes the impact of FAS123R requiring the expensing of stock options.

4Q12 update: PARP plan shaping up with pivotal start mid 13

4Q12 take: Tesaro reported a net loss of $18.7M vs. $9.1m 4Q11. The company ended the year with $125M in cash

R&D spend in 4Q12 is the largest expense at $15.6M since the company has three drugs in development. Tesaro expects that R&D will increase over 13 due to Rolapitant pivotal studies, start of pivotal niraparib PARP program, and development of ALK (TSR-11) in Ph1. We model R&D of $71M for FY13 relative to $47M spent in FY12.

Timelines for three pivotal readouts for Rolapitant remain on track for 2H13

We will get top line data for 2 HEC and 1 MEC trial using one single oral dose of Rolapitant at 200mg. Mgmt still believes their drug is differentiated on half life, CYP3A interaction, and rapid onset of drug activity.

No change to timelines on IV Rolapitant although an IND filing will be needed

Previously Tesaro thought that they could file the IV version of rolapitant on an IND amendment. We learned on the call that a full IND will be needed, but mgmt believes they have time to do all the work between now and the time for oral approval. Mgmt still expects to submit their IV formulation concurrently with the oral Rolapitant approval.

Trial looks well powered in Ph2 in our analysis and will likely conclude ahead of Clovis that will have to wait for all cohorts to stop study

Tesaro expects to start PARP pivotal mid-year in platinum sensitive ovarian cancer patients. Tesaro and Clovis now have explained regulatory strategy for PARP. Tesaro will study niraparib in two independent cohorts (germ-line BRCA and non-germ line BRCA carriers. Co thinks non-germ line BRCA results could happen before germ-line. No defined interim analysis. Similar trial designs to niraparib in this patient population have completed in 15-18 months. Each cohort has its own Alpha as mgmt believes this gives them the best opportunity for success. Clovis trial with rucaparib is open maintenance therapy in serous ovarian cancer (all comers). We expect a Clovis trial reads out around 2016 since Ph3 doesn't have a statistical plan in place at initiation.

We think niraparib's response rate remains competitive to Biomarin, but we will learn likely learn more at ASCO 2013 about BMRN and Clovis

We should see Phase 1/ 2 data at ASCO this year from Clovis & BMRN PARPs. Niraparib has been well characterized already so we should have a better basis for comparison post ASCO this year. BioMarin will announce first indication by year end.

Reiterate Buy and $27 TP