

UBS Investment Research

Puma Biotechnology

3Q12 Update

■ What's changed? EPS of -\$1.29 vs consensus of -\$0.46

Both R&D and SG&A were above our estimates with SG&A driven by a one-time ~\$6.6M step-up associated with the IPO. We've reflected this in our model, bringing our full-year estimate to a loss of (2.98). R&D should now come down over the next quarter as Puma has reached its cap with Pfizer and now Pfizer will fund the close down costs for legacy Pfizer studies.

■ Our analysis: Uneventful update

We see 3Q as in line with expectations given that most are focused on the continued clinical development. Hitting the R&D cap with Pfizer is good news, as all R&D dollars now go towards important new studies which include two PhII studies in lung cancer as well as the PhIII in metastatic breast cancer.

■ Impact on the stock: 2013 remains full of catalysts

2013 remains the key value inflection point for Puma with results from PhII studies in neoadjuvant, CNS disease and lung cancers. Success in these areas represents substantial upside to current valuations and we remain positively biased.

■ Valuation: We maintain our Buy 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-yr hist av.	12/11	12/12E	12/13E	12/14E
EBIT margin %	-	-	-	-	-
ROIC (EBIT) %	-	-	<-500	<-500	<-500
EV/EBITDA (core) x	-	-	-7.3	-14.7	-9.6
PE (UBS) x	-	-	NM	NM	NM
Net dividend yield %	-	-	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\$19.86 on 13 Nov 2012 19:37 EST

Matthew Harrison

Analyst
matthew.harrison@ubs.com
+1-212-713 2429

Matthew Roden, PhD

Analyst
matthew.roden@ubs.com
+1-212-713 2491

Global Equity Research

Americas

Biotechnology

12-month rating **Buy**
Unchanged

12m price target **US\$27.00**
Unchanged

Price **US\$19.86**

RIC: PBYI.N BBG: PBYI US

14 November 2012

Trading data

52-wk range	US\$22.60-11.00
Market cap.	US\$0.55bn
Shares o/s	27.5m (COM)
Free float	95%
Avg. daily volume ('000)	33
Avg. daily value (m)	US\$0.7

Balance sheet data 12/12E

Shareholders' equity	US\$0.13bn
P/BV (UBS)	3.3x
Net Cash (debt)	US\$0.13bn

Forecast returns

Forecast price appreciation	+36.0%
Forecast dividend yield	0.0%
Forecast stock return	+36.0%
Market return assumption	5.3%
Forecast excess return	+30.7%

EPS (UBS, US\$)

	12/12E			12/11
	From	To	Cons.	Actual
Q1	(0.59)	(0.59)	(0.59)	-
Q2	(0.73)	(0.73)	(0.74)	-
Q3	(0.65)	(1.29)	(0.51)	-
Q4E	(0.30)	(0.45)	(0.42)	-
12/12E	(2.21)	(2.98)	(2.24)	-
12/13E	(1.03)	(1.03)	(1.71)	-

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 3rd/4th 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 3rd/4th 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 3rd/4th line HER2+ mBC indication, including greater duration, activity in brain metastasis, neoadjuvant HER2+ BC and HER2+ lung cancer:** 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 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	65%	\$8.5	298	2030E
Neratinib - HER2 neoadjuvant	50%	\$4.5	162	2030E
Neratinib - HER2 lung	40%	\$4.8	258	2030E
Corporate		-\$0.9		
NOLs		\$3.3		
Cash		\$3.4		
Total Sum of Parts		\$23.5		

Valuation			
Metric	Allocation	Value/Share	Full Value
Sum of Parts	80%	\$18.8	\$23.5
M&A Valuation	20%	\$8.0	\$40.0
Total		\$26.8	
Total Price Target		\$27.0	
Current Price		19.6	
Implied Upside/Downside		37.8%	

Source: UBS estimates

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

	2011	1Q12	2Q12	3Q12	4Q12E	2012E	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	149.8	265.6	353.9	444.8	503.8
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
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.5	149.8	265.6	353.9	444.8	503.8
Consensus Revenue					0.0	0.0	0.0	33.3	48.2					
COGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	22.5	39.8	53.1	66.7	75.6
Gross Profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.6	127.3	225.7	300.8	378.1	428.2
SG&A	9.3	1.2	1.7	8.1	1.7	12.7	6.7	6.9	7.2	53.4	75.7	104.4	118.2	123.7
R&D	0.8	10.6	13.0	17.8	9.6	51.0	24.0	43.3	53.6	49.0	29.4	24.8	25.3	25.8
Operating Income	-10.1	-11.8	-14.7	-25.9	-11.3	-63.7	-30.7	-50.2	-44.2	25.0	120.6	171.6	234.6	278.6
Total Non-operating Income	-0.1	0.0	0.0	0.0	0.0	0.1	0.8	1.9	3.3	3.4	7.3	9.6	16.2	23.5
Pretax Income	-10.2	-11.8	-14.7	-25.9	-11.3	-63.7	-29.9	-48.3	-40.9	28.4	127.9	181.2	250.8	302.1
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%
Net Income	-10.2	-11.8	-14.7	-25.9	-11.3	-63.7	-29.9	-48.3	-40.9	28.4	127.9	181.2	250.8	302.1
Diluted EPS	-1.32	-0.59	-0.73	-1.29	-0.45	-2.98	-1.03	-1.58	-1.18	0.78	3.39	4.62	6.16	7.15
Consensus EPS					-\$0.42	-\$2.24	-\$1.71	-\$1.44	-\$1.56					
Basic shares outstanding														
Diluted shares outstanding	7.7	20.0	20.0	20.0	25.3	21.4	29.0	30.5	34.7	36.2	37.7	39.2	40.7	42.2
Margin Analysis														
Gross Margin		NA	NA	NA	NA	NA	NA	NA	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
SG&A (% of Revenue)		NA	NA	NA	NA	NA	NA	NA	36.7%	35.6%	28.5%	29.5%	26.6%	24.6%
R&D (% of Revenue)		NA	NA	NA	NA	NA	NA	NA	275.4%	32.7%	11.1%	7.0%	5.7%	5.1%
Operating Margin		NA	NA	NA	NA	NA	NA	NA	-227.1%	16.7%	45.4%	48.5%	52.7%	55.3%
Pretax Margin		NA	NA	NA	NA	NA	NA	NA	-210.2%	18.9%	48.2%	51.2%	56.4%	60.0%
Net Margin		NA	NA	NA	NA	NA	NA	NA	-210.2%	18.9%	48.2%	51.2%	56.4%	60.0%
Year-over-Year Growth														
Revenue		NA	NA	NA	NA	NA	NA	NA	NA	669%	77%	33%	26%	13%
COGS		NA	NA	NA	NA	NA	NA	NA	NA	669%	77%	33%	26%	13%
Gross Profit		NA	NA	NA	NA	NA	NA	NA	NA	669%	77%	33%	26%	13%
SG&A		NA	NA	NA	NA	36%	-47%	3%	3%	646%	42%	38%	13%	5%
R&D		NA	NA	NA	NA	6072%	-53%	80%	24%	-9%	-40%	-16%	2%	2%
Operating Income		NA	NA	NA	NA	528%	-52%	64%	-12%	-156%	383%	42%	37%	19%
Pretax Income		NA	NA	NA	NA	523%	-53%	62%	-15%	-169%	351%	42%	38%	20%
Net Income		NA	NA	NA	NA	523%	-53%	62%	-15%	-169%	351%	42%	38%	20%
EPS		NA	NA	NA	NA	126%	-65%	54%	-26%	-166%	333%	36%	33%	16%
Diluted shares outstanding		NA	NA	NA	NA	176%	36%	5%	14%	4%	4%	4%	4%	4%

Source: UBS estimates, company reports

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

	2011A	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
Cash and cash equivalents	53.4	125.5	97.3	50.9	91.8	119.4	247.2	428.7	679.9	983.4
Accounts receivable	0.0	0.0	0.0	0.0	0.0	12.1	22.4	31.5	40.9	46.9
Prepaid expenses and other current asset	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total current assets	53.7	125.7	97.6	51.1	92.1	131.8	269.9	460.5	721.1	1,030.6
Property, plant and equipment, net	0.7	2.7	4.9	7.5	10.3	13.5	17.0	21.0	25.4	30.4
Other assets	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Total assets	55.4	129.5	103.6	59.7	103.4	146.3	288.0	482.6	747.6	1,062.0
Accounts payable	0.1	0.1	0.1	0.1	0.0	9.2	17.0	24.0	31.1	35.7
Accrued expenses	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other accrued liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	0.6	0.6	0.6	0.6	0.5	9.7	17.5	24.5	31.6	36.2
Long-term portion of deferred rent	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long-term liabilities	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Liabilities	1.0	1.0	1.0	1.1	0.9	10.1	18.0	24.9	32.0	36.6
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	202.3	206.3	210.7	295.6	300.9	306.8	313.2	320.3	328.1
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	-73.9	-103.8	-152.1	-193.1	-164.7	-36.8	144.5	395.2	697.4
Total Equity	54.4	128.4	102.5	58.6	102.5	136.2	270.0	457.7	715.5	1,025.4
Total liabilities and equity	55.4	129.5	103.6	59.7	103.4	146.3	288.0	482.6	747.6	1,062.0

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
Operating Activities										
GAAP Net Income (loss)	-10.2	-63.7	-29.9	-48.3	-40.9	28.4	127.9	181.2	250.8	302.1
Depreciation and amortization	0.0	1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.4	1.5
Share-based compensation	0.1	8.0	4.0	4.4	4.8	5.3	5.9	6.4	7.1	7.8
Anti-dilutive warrant	7.6	0.0	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	0.0	0.0	0.0	0.0	-12.1	-10.3	-9.1	-9.4	-6.0
Prepaid expenses and other current assets	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.6	0.0	0.0	0.0	-0.1	9.2	7.8	6.9	7.1	4.6
Other accrued liabilities	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash produced (used in) operating activities	-2.3	-54.6	-24.9	-42.8	-35.0	32.0	132.6	186.8	257.0	310.0
Investing Activities										
Restricted Cash	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditures	-0.3	-3.0	-3.3	-3.6	-4.0	-4.4	-4.8	-5.3	-5.8	-6.4
Net cash provided by (used in) investing activities	-1.3	-3.0	-3.3	-3.6	-4.0	-4.4	-4.8	-5.3	-5.8	-6.4
Financing Activities										
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	129.7	0.0	0.0	80.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities	57.0	129.7	0.0	0.0	80.0	0.0	0.0	0.0	0.0	0.0
Change in cash	53.4	72.1	-28.2	-46.4	41.0	27.6	127.8	181.5	251.2	303.5
Cash beginning of period	0.0	53.4	125.5	97.3	50.9	91.8	119.4	247.2	428.7	679.9
Cash at end of period	53.4	125.5	97.3	50.9	91.8	119.4	247.2	428.7	679.9	983.4

Source: UBS estimates, company reports

Puma Biotechnology

Income statement (US\$m)	-	-	-	12/11	12/12E	% ch	12/13E	% ch	12/14E	% ch
Revenues	-	-	-	0	0	-	0	-	0	-
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)	-51.8	(50)	63.5
Other income & associates	-	-	-	0	0	-	0	-	0	-
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)	-53.0	(48)	61.6
Tax	-	-	-	0	0	-	0	-	0	-
Profit after tax	-	-	-	(10)	(64)	522.7	(30)	-53.0	(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	-
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	51.2
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	0	-97.2	0	10.0	0	10.0
Other (operating)	-	-	-	8	8	4.5	4	-50.0	4	10.0
Net cash from operations	-	-	-	(2)	(55)	2324.7	(25)	-54.5	(43)	72.3
Capital expenditure	-	-	-	0	(3)	1088.9	(3)	10.0	(4)	10.0
Net (acquisitions) / disposals	-	-	-	0	0	-	0	-	0	-
Other changes in investments	-	-	-	(1)	0	-	0	-	0	-
Cash from investing activities	-	-	-	(1)	(3)	129.8	(3)	10.0	(4)	10.0
Increase/(decrease) in debt	-	-	-	0	0	-	0	-	0	-
Share issues / (repurchases)	-	-	-	57	130	-	0	-	0	-
Dividends paid	-	-	-	0	0	-	0	-	0	-
Other cash from financing	-	-	-	0	0	-	0	-	0	-
Cash from financing activities	-	-	-	57	130	127.8	0	-	0	-
Cash flow chge in cash & equivalents	-	-	-	53	72	-	(28)	-	(46)	-
FX / non cash items	-	-	-	-	0	-	0	-	0	-
Bal sheet chge in cash & equivalents	-	-	-	-	72	-	(28)	-	(46)	-
Core EBITDA	-	-	-	(10)	(63)	518.8	(30)	-52.7	(49)	65.6
Maintenance capital expenditure	-	-	-	0	(3)	1088.9	(3)	10.0	(4)	10.0
Maintenance net working capital	-	-	-	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	-	-	-	(10)	(66)	532.7	(33)	-49.8	(53)	60.0

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.

Company profile

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	-	-	-	3.3	5.6	10.3
EV/revenue (core)	-	-	-	-	-	-
EV/EBITDA (core)	-	-	-	-7.3	-14.7	-9.6
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	-	-	547	547	547
+ 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	-	-	458	436	473

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 (%)	-	-	-	-	-	-
Capex / depreciation	-	-	NM	3.0	3.1	3.3

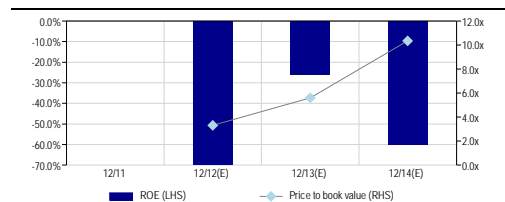
Capital structure (%)	5Yr Avg	-	12/11	12/12E	12/13E	12/14E
Net debt / total equity	-	-	(98.2)	(97.7)	(94.9)	(86.8)
Net debt / (net debt + equity)	-	-	NM	NM	NM	NM
Net debt (core) / EV	-	-	-	(19.5)	(25.6)	(15.7)

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.

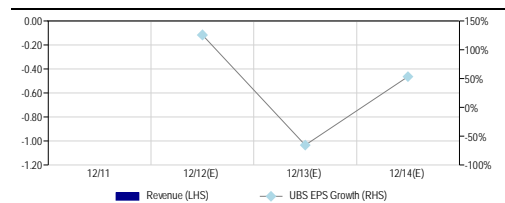
Valuations: based on an average share price that year, (E): based on a share price of US\$19.86 on 13 Nov 2012 19:37 EST Market cap(E) may include forecast share issues/buybacks.

Profitability

ROE v Price to book value



Growth (UBS EPS)



Matthew Harrison

Analyst

matthew.harrison@ubs.com

+1-212-713 2429

Matthew Roden, PhD

Analyst

matthew.roden@ubs.com

+1-212-713 2491

■ 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 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	50%	31%
Neutral	Hold/Neutral	41%	31%
Sell	Sell	9%	20%
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.

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 September 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.

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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).

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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, 16}	PBYI.N	Buy	N/A	US\$19.86	13 Nov 2012

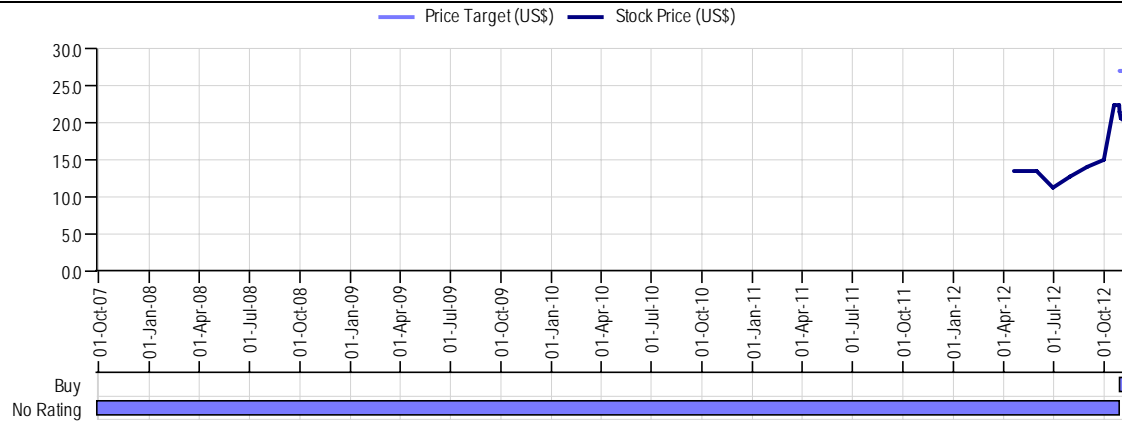
Source: UBS. All prices as of local market close.

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Puma Biotechnology (US\$)



Source: UBS; as of 13 Nov 2012

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