

# BIND Therapeutics (BIND)

## SMALL & MID CAP RESEARCH



Rating	<b>OUTPERFORM* [V]</b>
Price (25 Mar 14, US\$)	11.85
Target price (US\$)	21.00 <sup>1</sup>
52-week price range	15.40 - 8.49
Market cap. (US\$ m)	193.96
Enterprise value (US\$ m)	82.43

\*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.  
<sup>1</sup>Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

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## Significant Progress Toward 2014 Goals

BIND reported significant progress in its Phase II program for BIND-014 and reiterated plans to release data in H2:14. New Phase I data for BIND-014 and preclinical data from AstraZeneca's Aurora B Accurin will be presented at AACR. We continue to believe that BIND's technology is a valuable platform for enhancing the delivery and therapeutic index of cancer drugs. Phase II results for BIND-014 remain the primary catalyst in 2014. We have made several adjustments to our model following comments from the Q4:13 earnings call and these changes have increased our forward EPS estimates.

- **Phase II progress:** BIND reported complete enrollment in its prostate Phase II trial and 80% enrollment in its lung trial. Data from both is on track for H2:14. A third Phase II trial testing weekly dosing in lung cancer will start shortly and is also expected to have results in H2:14.
- **Upcoming data at AACR:** (1) Examination of PSMA as a selection marker for patients that are eligible to receive BIND-014 (Sunday 4/6 at 1 PM – 5 PM PST, Abst. #911); (2) Phase I data for BIND-014 weekly dosing schedule in patients with solid tumors (Monday 4/7 at 8 AM - 12 PM PST, Abst. CT210), and (3) Preclinical data for AZD1152-hQPA (AZ's Aurora B kinase inhibitor with the Accurin technology) that describes different dosing intensities and schedules in mice, suggesting that the AZD1152-hQPA is better tolerated than AZD1152 alone (Wednesday 4/9 at 8 AM - 12 PM, Abst. #5409).

## Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US\$)	-5.28	-1.95	-0.14	-1.99
Prev. EPS (US\$)	—	-2.02	-0.19	-2.21
P/E (x)	-2.2	-6.1	-86.5	-6.0
P/E rel. (%)	-13.1	-38.4	-607.5	-46.4
Revenue (US\$ m)	10.9	9.4	67.4	19.2
EBITDA (US\$ m)	-25.4	-33.4	-1.4	-57.7
OCFPS (US\$)	-2.50	-1.85	0.10	-1.68
P/OCF (x)	-6.0	-6.4	115.9	-7.1
EV/EBITDA (current)	-5.8	-4.4	-105.6	-2.5
Net debt (US\$ m)	-47	-112	-111	-227
ROIC (%)	-119.99	-126.23	-9.79	-182.77
Number of shares (m)	16.37	IC (current, US\$ m)		22.39
BV/share (Next Qtr., US\$)	10.7	EV/IC (x)		6.3
Net debt (Next Qtr., US\$ m)	-37.4	Dividend (current, US\$)		—
Net debt/tot cap (Next Qtr., %)	-60.2	Dividend yield (%)		—

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## Q4 Results and 2014 Guidance

BIND reported \$2.1M in revenue vs our estimate of \$4.6M. R&D expenses were lower at \$7.4M vs. our estimate of \$8.0M and G&A expenses came in at \$2.7M, equivalent to our estimate of \$2.7M. EPS for Q4:13 was (\$0.50) vs. our estimate of (\$0.38).

BIND still expects its current cash position of \$77.4M to support operations into mid-2015. BIND suggested the 2014 cash burn could be roughly equivalent to the annualized Q4:13 cash burn of \$6.6M, and we have adjusted our 2014 estimates accordingly. We have also adjusted the receipt of potential milestone payments for AMGN's exercise of its option to Q3:14 from Q2:14 and the potential milestone from an IND filing to Q1:15 from Q4:14. Together, these changes have increased our forward EPS estimates.

**Exhibit 1: Q4:13 Variance Table**

(\$ in millions, except per share)		4Q:13E		
Fiscal Year Ends December		Current	Previous	Diff.
Revenues	\$	-	\$ -	\$ -
Milestones and partnering revenue	\$	-	\$ -	\$ -
Royalty revenue	\$	2.1	\$ 4.6	\$ (2.5)
<b>Total Net Revenues</b>	\$	2.1	\$ 4.6	\$ (2.5)
Expenses	\$	-	\$ -	\$ -
R&D	\$	7.4	\$ 8.0	\$ (0.6)
G&A	\$	2.7	\$ 2.7	\$ (0.0)
<b>Total Operating Expenses</b>	\$	10.1	\$ 10.7	\$ (0.6)
Operating income (loss)	\$	(8.0)	\$ (6.2)	\$ (1.9)
Total Other Income (Expense)	\$	(0.0)	\$ (0.1)	\$ 0.0
Pre Tax Income	\$	(8.1)	\$ (6.2)	\$ (1.8)
Income tax expense (benefit)	\$	-	\$ -	\$ -
<b>Net Income</b>	\$	(8.1)	\$ (6.2)	\$ (1.8)
<b>EPS - basic (proforma)</b>		(\$0.50)	(\$0.38)	(\$0.11)
<b>EPS - diluted (proforma)</b>		(\$0.50)	(\$0.38)	(\$0.11)
<b>Shares outstanding - basic (proforma)</b>		16.30	16.24	0.06
<b>Shares outstanding - diluted (proforma)</b>		16.30	16.24	0.06

Source: Company data, Credit Suisse estimates

**Exhibit 2: BIND Pipeline**

Product/Event	Indication	Catalyst	Expected Date	Price Sensitivity
BIND-014	Solid tumors	Phase I weekly data	April 14	Medium
BIND-014	NSCLC and mCRPC	Phase II data in NSCLC and mCRPC	H2:14	High
Partnered program	N/A	IND submission	YE:14 / Early 2015	Low
2nd BIND product	N/A	IND submission	2015	Low
3rd BIND product	N/A	IND enabling tox studies	2015	Low

Source: Company data, Credit Suisse estimates

**Exhibit 3: BIND Pipeline**

Drug	Indication	Stage	Partner
BIND 014 (PSMA targeted docetaxel)	NSCLC and mCRPC	Phase II	Proprietary
Solid Tumor Accurin	Solid Tumor	Pre-clinical	Proprietary
Hematologic Cancer Accurin	Hematologic Cancer	Pre-clinical	Proprietary
AZD1152 (Aurora-B kinase inhibitor)	N/A	Pre-clinical	AstraZeneca
Oncology kinase inhibitor	N/A	Pre-clinical	Amgen
Targeted therapies	N/A	Pre-clinical	Pfizer

Source: Company data, Credit Suisse estimates

**Exhibit 4: BIND Earnings Model**

	2013A	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
<b>Revenues</b>												
BIND-014 US sales										50.6	218.9	355.2
BIND-014 ex-US royalties and mfg. rev											8.1	22.0
Partnering, grants, milestones	10.9	2.1	0.8	5.8	0.8	9.5	67.4	19.2	38.4	39.0	10.0	23.8
<b>Total Revenues</b>	<b>10.9</b>	<b>2.1</b>	<b>0.8</b>	<b>5.8</b>	<b>0.8</b>	<b>9.5</b>	<b>67.4</b>	<b>19.2</b>	<b>38.4</b>	<b>89.6</b>	<b>237.1</b>	<b>401.0</b>
<b>Expenses</b>												
Research and development	24.4	7.5	8.0	8.5	9.0	33.0	57.0	60.4	64.0	67.9	71.3	74.8
Sales, general, administrative	13.4	2.8	2.9	2.9	3.0	11.5	13.5	18.2	34.1	105.8	111.1	116.6
Cost of goods										6.1	26.3	42.6
Royalty expense										1.5	6.6	10.7
<b>Total Operating Expenses</b>	<b>37.8</b>	<b>10.3</b>	<b>10.9</b>	<b>11.4</b>	<b>12.0</b>	<b>44.5</b>	<b>70.5</b>	<b>78.6</b>	<b>98.1</b>	<b>181.3</b>	<b>215.2</b>	<b>244.8</b>
Operating income (loss)	(26.9)	(8.3)	(10.1)	(5.6)	(11.2)	(35.1)	(3.1)	(59.4)	(59.7)	(91.7)	21.9	156.2
Total Other Income (Expense)	(0.8)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.8	0.6	0.4	0.8	1.0
Pre Tax Income	(27.7)	(8.3)	(10.1)	(5.6)	(11.2)	(35.1)	(3.1)	(58.6)	(59.1)	(91.3)	22.7	157.2
Income tax												
<b>Net Income</b>	<b>(31.4)</b>	<b>(8.3)</b>	<b>(10.1)</b>	<b>(5.6)</b>	<b>(11.2)</b>	<b>(35.1)</b>	<b>(3.1)</b>	<b>(58.6)</b>	<b>(59.1)</b>	<b>(91.3)</b>	<b>22.7</b>	<b>157.2</b>
<b>EPS - basic (proforma)</b>	<b>(\$5.28)</b>	<b>(\$0.50)</b>	<b>(\$0.61)</b>	<b>(\$0.34)</b>	<b>(\$0.49)</b>	<b>(\$1.95)</b>	<b>(\$0.14)</b>	<b>(\$1.99)</b>	<b>(\$1.98)</b>	<b>(\$3.01)</b>	<b>\$0.74</b>	<b>\$5.03</b>
<b>EPS - diluted (proforma)</b>	<b>(\$5.28)</b>	<b>(\$0.50)</b>	<b>(\$0.61)</b>	<b>(\$0.34)</b>	<b>(\$0.49)</b>	<b>(\$1.95)</b>	<b>(\$0.14)</b>	<b>(\$1.99)</b>	<b>(\$1.98)</b>	<b>(\$3.01)</b>	<b>\$0.66</b>	<b>\$4.50</b>
Shares outstanding - basic (proforma)	5.94	16.38	16.46	16.54	22.63	18.00	22.91	29.43	29.87	30.32	30.77	31.24
Shares outstanding - diluted (proforma)	5.94	16.38	16.46	16.54	22.63	18.00	23.73	29.43	29.87	30.32	34.38	34.92

Source: Company data, Credit Suisse estimates

**Companies Mentioned** (Price as of 25-Mar-2014)**Amgen Inc.** (AMGN.OQ, \$120.63, NEUTRAL, TP \$125.0)**AstraZeneca** (AZN.L, 3892.0p, UNDERPERFORM, TP 4000.0p)**BIND Therapeutics** (BIND.OQ, \$11.85, OUTPERFORM[V], TP \$21.0)**Pfizer** (PFE.N, \$31.82, OUTPERFORM, TP \$34.0)

## Disclosure Appendix

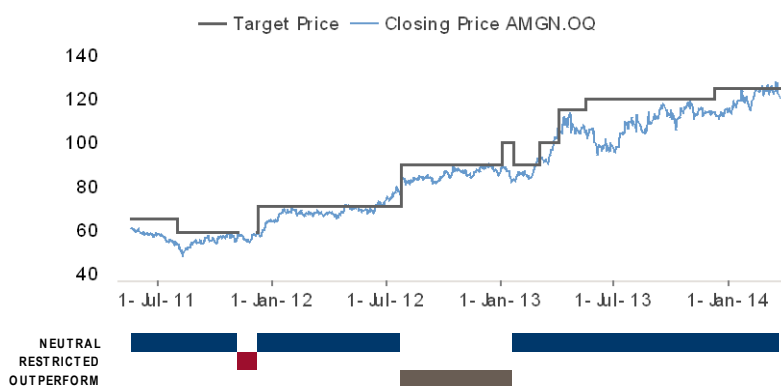
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**3-Year Price and Rating History for Amgen Inc. (AMGN.OQ)**

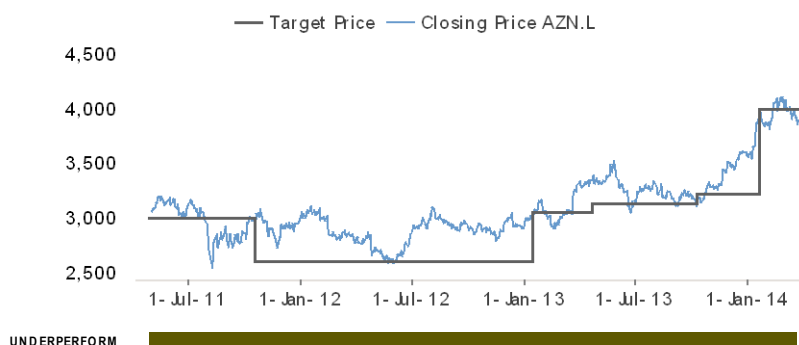
AMGN.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
20-May-11	60.89	65.00	N
01-Aug-11	53.77	59.00	
07-Nov-11	58.43		R
08-Dec-11	58.41	59.00	N
09-Dec-11	58.59	71.00	
25-Jul-12	77.96	85.00	O
26-Jul-12	79.30	90.00	
03-Jan-13	88.59	100.00	
22-Jan-13	83.29	90.00	N
04-Mar-13	92.73	100.00	
04-Apr-13	105.90	115.00	
17-May-13	105.63	120.00	
10-Dec-13	114.10	125.00	

\* Asterisk signifies initiation or assumption of coverage.

**3-Year Price and Rating History for AstraZeneca (AZN.L)**

AZN.L	Closing Price	Target Price	
Date	(p)	(p)	Rating
29-Apr-11	2990.00	3000.00	U
19-Oct-11	2981.00	2600.00	
21-May-12	2654.50		*
22-May-12	2650.00		*
17-Jul-12	2953.50	2600.00	U
14-Jan-13	3030.00	3050.00	
22-Apr-13	3350.00	3130.00	
10-Oct-13	3133.00	3220.00	
20-Jan-14	3920.00	4000.00	

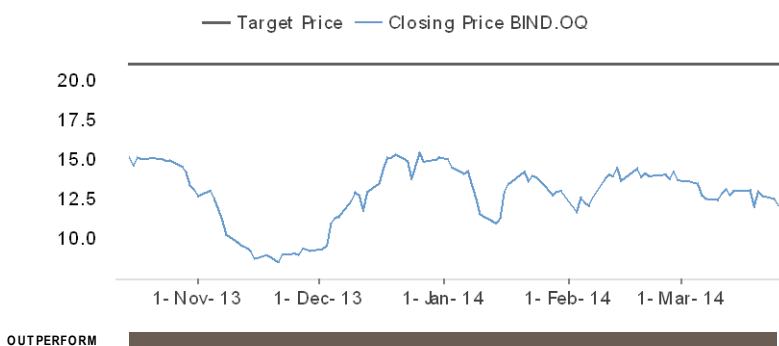
\* Asterisk signifies initiation or assumption of coverage.



## 3-Year Price and Rating History for BIND Therapeutics (BIND.OQ)

BIND.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
15-Oct-13	15.10	21.00	O *

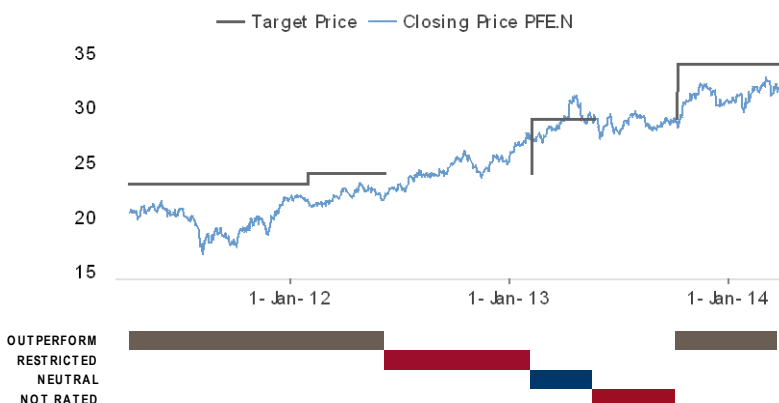
\* Asterisk signifies initiation or assumption of coverage.



## 3-Year Price and Rating History for Pfizer (PFE.N)

PFE.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
08-Apr-11	20.46	23.00	O
31-Jan-12	21.40	24.00	
07-Jun-12	21.94		R
07-Feb-13	26.96	29.00	N
22-May-13	29.30		NR
08-Oct-13	28.24	34.00	O *

\* Asterisk signifies initiation or assumption of coverage.



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**Neutral (N)** : The stock's total return is expected to be in line with the relevant benchmark\* over the next 12 months.

**Underperform (U)** : The stock's total return is expected to underperform the relevant benchmark\* over the next 12 months.

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Neutral/Hold*	40%	(49% banking clients)
Underperform/Sell*	14%	(45% banking clients)
Restricted	2%	

*\*For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

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#### Price Target: (12 months) for Amgen Inc. (AMGN.OQ)

**Method:** Our \$125 target price for AMGN implies about 14.2x our 2015 ex-option EPS estimate of \$8.50, representing about a 10% premium to the S&P 500 2015 PE multiple. This multiple for AMGN is justified due to its <10% growth to 2017 and lower visibility in growth post 2017.

**Risk:** We see several risks to AMGN's achievement of our \$125 target price. (1) More or less biosimilar competition relative to our model. (2) Denosumab could exceed or miss our expectations. (3) Erythropoietin safety concerns could be more or less than our model. (4) Pipeline exceeds expectations. (5) Share buyback could be less aggressive than our model.

#### Price Target: (12 months) for AstraZeneca (AZN.L)

**Method:** We value AstraZeneca on a PE relative basis to the European markets. Our European Major Pharma 2014 PE market-relative assumption is 110% and our sector PE relative for AstraZeneca is 85%, giving a price target of 4000p per share. AstraZeneca's 3 year historical average PE sector relative is 68%.

**Risk:** General market volatility, product disappointments and patent litigation.

#### Price Target: (12 months) for BIND Therapeutics (BIND.OQ)

**Method:** Our \$21 target price for BIND is based on DCF (discounted cash flow) using probability-weighted sales estimates for BIND-014 modeled through 2028 (\$17 per share) and a DCF analysis of three partnerships with major pharmaceutical companies (\$4 per share). We estimate a 65% probability of success for BIND-014 and a 15% probability of success for partnered programs. We model a commercial launch of BIND-014 in 2018. We use a 38% tax rate and a 12% discount rate.

**Risk:** Risks to our \$21 target price for BIND are (1) unexpected negative efficacy or safety result in ongoing Phase II BIND-014 study, (2) regulatory risk of potential approval for BIND-014, (3) execution risk in signing a potential partner for BIND-014 and/or launch and marketing of BIND-014, if approved, (4) failure of its partners to move forward with current programs, and (5) financing risk.

#### Price Target: (12 months) for Pfizer (PFE.N)

**Method:** Our TP of \$34 for PFE is based on 75/25 blend of DCF value (\$35) and forward P/E (\$32). We apply 7.5% WACC and perpetuity growth forecast of -1% for DCF valuation and 14.0 times 2014 EPS of \$2.28 for P/E valuation.

**Risk:** Key risks to our target price of \$34 for PFE include lower-than-expected revenues; unanticipated pipeline setbacks; worse-than-expected operating margin.

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See the Companies Mentioned section for full company names

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