BIND Therapeutics (BIND)

SMALL & MID CAP RESEARCH

Rating	OUTPERFORM* [V]
Price (07 Aug 14, US$)	9.00
Target price (US$)	20.00[1]
52-week price range	15.40 - 8.06
Market cap. (US$ m)	148.09
Enterprise value (US$ m)	35.44

**Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

Research Analysts
Jason Kantor, PhD
415 249 7942
jason.kantor@credit-suisse.com
Jeremiah Shepard, PhD
415 249 7933
jeremiah.shepard@credit-suisse.com
Ravi Mehrotra PhD
212 325 3487
ravi.mehrotra@credit-suisse.com
Lee Kalowski
212 325 9683
lee.kalowski@credit-suisse.com
Koon Ching PhD
212 325 6286
koon.ching@credit-suisse.com
Anuj Shah
212 325 6931
anuj.shah@credit-suisse.com

BIND-014 key Phase II results on track for Q4:2014

BIND reiterated that topline data for its two BIND-014 Phase II trials in NSCLC and mCRPC will readout in Q4:2014 for the Q3W dosing regimen, with full data at a later undisclosed medical meeting. We anticipate this to be the biggest upcoming catalyst for the stock. BIND reported Q2 EPS of ($0.51) vs. our estimates of ($0.64) and consensus of ($0.55) on higher collaboration and grant revenue. We update estimates based on revised guidance.

- **Phase II non-small cell lung cancer (NSCLC):** This 80-patient trial is examining two different dosing regimens (Q3W and Q1W dosing). 40 patients will be enrolled into each dosing regimen and both dosing cohorts follow a two-stage design. BIND previously provided some insight into the trial by reporting 2 PRs and 2 SD among the 6 patients in the first stage who were KRAS mutant. No information was provided for the other 14 patients in that cohort. Enrollment in the Q1W cohort is ongoing as planned.
- **Phase II metastatic castrate-resistant prostate cancer (mCRPC):** The HRPC trial is examining BIND-014 in 40 mCRPC patients that are chemotherapy-naive.
- **Other Phase II trials proceeding as planned:** BIND stated that its Phase II KRAS mutant NSCLC trial and its multi-cohort trial in a variety of rarer tumor types (bladder, cervical, neuroendocrine and cholangio carcinoma) will begin enrollment by YE:2014. The KRAS mutant NSCLC trial will be a single arm, open label trial initially enrolling 20 patients with option to expand to 40.

Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US$)	-5.28	-1.96	-0.30	-2.12
Prev. EPS (US$)	—	-2.03	-0.22	-2.05
P/E (x)	-1.7	-4.6	-30.2	-4.2
P/E rel. (%)	-9.3	-27.2	-200.4	-31.3
Revenue (US$ m)	10.9	10.6	67.4	19.2
EBITDA (US$ m)	-25.4	-33.8	-5.2	-61.7
OCFPS (US$)	-2.19	-1.78	-0.14	-1.81
P/OCF (x)	-6.9	-5.0	-63.2	-5.0
EV/EBITDA (current)	-4.6	-3.5	-22.6	-1.9
Net debt (US$ m)	-47	-113	-107	-218
ROIC (%)	-119.99	-83.08	-14.06	-128.38

Number of shares (m)	16.45	IC (current, US$ m)	22.39
BV/share (Next Qtr., US$)	11.7	EV/IC (x)	3.0
Net debt (Next Qtr., US$ m)	-24.0	Dividend (current, US$)	—
Net debt/tot cap (Next Qtr., %)	-36.7	Dividend yield (%)	—

Source: Company data, Credit Suisse estimates

Interim results for BIND-014 in Phase II show activity in KRAS mutant NSCLC

The two-stage Phase II trials in NSCLC and mCRPC each have a similar design. Stage 1 includes 20 patients. If a prespecified efficacy hurdle is met, then the remaining 20 patients are enrolled. Both trials have now completed enrollment of the full 40 patients.

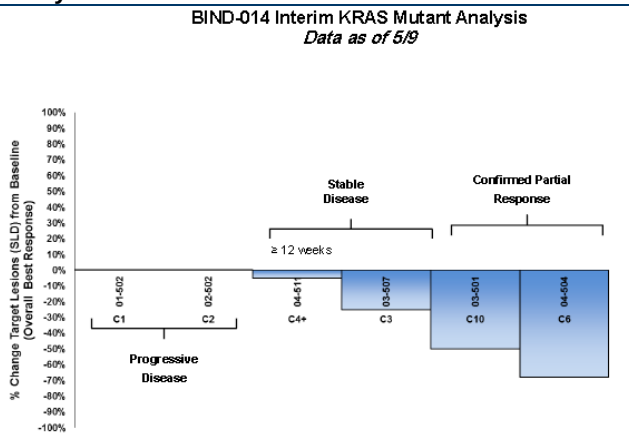
BIND disclosed some preliminary data from Part 1 of the NSCLC Phase II trial, which was triggered by its decision to start a new trial specifically targeting patients with mutant KRAS. The decision was based on the potentially very strong signal seen in this phase: among the first 20 patients in the trial, there were 6 patients with KRAS mutations. Of these, two patients had confirmed PRs (33%) and 2 had stable disease.

Presumably there are more KRAS mutant patients in Part 2, and this subgroup will be of particular interest when the full Phase II data is unblinded.

Exhibit 1: Evidence of enhanced activity in KRAS mutant NSCLC

Docetaxel Monotherapy Efficacy in KRAS Mutant NSCLC

Trial	ORR (n)	95%CI
Gefitinib vs. Docetaxel	3.7% (1/27)	(0.1%,19.0%)
Vandetanib +/- Docetaxel	5.0% (1/20)	(0.1%,24.9%)
Selumetinib +/- Docetaxel	0% (0/40)	(0%,8.8%)
Trametinib vs. Docetaxel	11.4%[1] (5/43)	(3.9%,25.1%)
Total Meta-analysis	**5.4% (7/130)**	**N/A**



Source: Company data, Credit Suisse estimates

Hurdle for Phase III trials

Assuming positive Phase II results, Phase III trials could begin in 2015. In order to progress to Phase III, BIND-014 will need to show either a safety or efficacy benefit over docetaxel. The specific efficacy and safety thresholds are not defined, but we have some rough estimates of what might be needed to show a clear benefit.

- The current response rate for docetaxel in NSCLC is around 5-9%. We believe that a >20% response rate signal would be significant for supporting a move into Phase III. In addition, we believe that a 1.5-2 month PFS improvement over the current 3-month PFS of docetaxel, would be significant in Phase II.
- Prostate cancer represents a higher bar, since docetaxel is more active (PFS of 6-8 months and 45-65% response rate). Also, the treatment landscape in prostate cancer is changing significantly with chemotherapy used later in the course of treatment.

Exhibit 2: Docetaxel Response Rate and PFS

Indication	PFS	Response rate
mBC	6 mo	30-60%
Advanced NSCLC	3 months	5-9%
mCRPC	6-8 months	45-65%

Source: Company data, Credit Suisse research.

Refresher on the Accurin Drug Delivery Platform

Platform Is Broadly Applicable for Different Drugs, Targeting Multiple Tissues and Tumor Types

BIND's nanomedicine platform was developed out of technology from the lab of Robert Langer and Omid Farokhzad at MIT and Harvard, respectively. Essentially, the labs developed a polymer system that can encapsulate cytotoxic chemotherapy agents. The polymers can be modified with specific targeting agents to direct the nanoparticle to the tumor. The polymer system and targeting ligand of BIND-014 were discovered through screening a large library of nanoparticle formulations for key properties (e.g., size, charge, degradation rate, release rate, drug loading, and surface density targeting ligand).

Several Key Features Drive Potential Benefits of Delivery System

- **Cellular Targeting:** BIND-014 displays a ligand that binds to the extracellular domain of PSMA (prostate-specific membrane antigen), which is expressed on the surface of prostate cancer cells and on the neovasculature of multiple cancers. PSMA is a well validated target that has shown clinical activity with other targeted therapies, such as ADCs and mAbs. The targeting ligand can be modified for different types of cancers or tissues.

Exhibit 3: **PSMA Expression by Tumor Type**

	Number of Tissue Samples		Number of US patients	
Tumor	Tumor Cells	Neovasculature	Annual Incidence	Annual Mortality
Prostate	184/184 (100%)	2/12 (17%)	238,590	29,720
Breast	0/6	5/6 (83%)	232,340	39,620
NSCLC	0/5	5/5 (100%)	228,190	159,480
Bladder	8/187 (5%)	166/167 (99%)	72,570	15,210

Source: Company data, Credit Suisse estimates.

- **Tissue Targeting:** Due to the size of the particles (<100nm), the drug circulates longer (avoids liver clearance) and accumulates in tumors at sites of "leaky vasculature". The size, shape, and surface properties (e.g., charge) can all be modified for optimal delivery. The particle surface consists of hydrated PEG molecules, which have the effect of masking the particle from the immune system and clearance mechanisms. PEG is a well validated tool for increasing circulation time.
- **Molecular Targeting/Active Drug:** The drug, docetaxel, has proven clinical activity in multiple tumors. The Accurin formulation is designed to reduce the toxicity and increase the efficacy of docetaxel. The platform is amenable for delivery of different types of drugs, both novel therapeutics and currently marketed drugs.

Exhibit 4: Q2 Variance Table

Income Statement	2Q:14 Act.	CS 2Q:14 Est	CS Delta	Consensus 2Q:14 Est	Consensus Delta
Revenues	$ -	$ -	$ -		
BIND-014 US sales	$ -	$ -	$ -		
Partnering, grants, milestones	$ 2.5	$ 0.8	$ 1.7	$ 2.2	$ 0.3
Total Revenues	$ 2.5	$ 0.8	$ 1.7	$ 2.2	$ 0.3
Expenses	$ -	$ -	$ -		
Research and development	$ 6.9	$ 8.0	$ (1.1)		
Sales, general, administrative	$ 3.8	$ 3.3	$ 0.5		
Total Operating Expenses	$ 10.7	$ 11.3	$ (0.6)	$ 12.4	$ (1.7)
Operating income (loss)	$ (8.2)	$ (10.5)	$ 2.3		
Total Other Income (Expense)	$ (0.2)	$ (0.0)	$ (0.2)		
Pre Tax Income	$ (8.4)	$ (10.5)	$ 2.1		
Income tax	$ -	$ -	$ -		
Net Income	$ (8.4)	$ (10.5)	$ 2.1	$ (9.6)	$ 1.2
					$ -
EPS - basic (proforma)	($0.51)	($0.64)	$0.12	($0.58)	$0.07
EPS - diluted (proforma)	($0.51)	($0.64)	$0.12	($0.58)	$0.07
					$ -
Shares outstanding - basic (proforma)	16.46	16.51	-0.04		
Shares outstanding - diluted (proforma)	16.46	16.51	-0.04		

Source: Company data, Credit Suisse estimates

Exhibit 5: 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
Targeted therapies	N/A	Pre-clinical	Pfizer
N/A	Non-oncology	Pre-clinical	Roche

Source: Company data, Credit Suisse research.

Exhibit 6: BIND News Flow

Product/Event	Indication	Catalyst	Expected Date	Price Sensitivity
BIND-014	NSCLC	Phase II Q3W dosing data	Q4:14	High
BIND-014	mCRPC	Phase II Q3W dosign data	Q4:14	High
BIND-014	KRAS mutant NSCLC	Initiate new Phase II trial	YE:14	Low
BIND-014	4 new indications	Initiate new Phase II trial	YE:14	Low
BIND-014	Bladder, cervical, cholangio, and neuroendocrine	Stage I data from Phase II	2015	High
BIND-014	NSCLC and mCRPC	Phase II data for weekly schedule	2015	High
Partnered program	N/A	IND submission	2015	Low

Source: Company data, Credit Suisse estimates.

Exhibit 7: BIND Earnings Model

	2013A	Q1:14A	Q2:14A	Q3:14E	Q4:14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Revenues														
BIND-014 US sales										50.6	218.9	355.2	416.1	484.7
BIND-014 ex-US royalties and mfg. rev											8.1	22.0	33.7	46.2
Partnering, grants, milestones	10.9	1.6	2.5	5.8	0.8	10.6	67.4	19.2	38.4	39.0	10.0	23.8	10.0	10.0
Total Revenues	**10.9**	**1.6**	**2.5**	**5.8**	**0.8**	**10.6**	**67.4**	**19.2**	**38.4**	**89.6**	**237.1**	**401.0**	**459.9**	**540.9**
Expenses														
Research and development	24.4	6.8	6.9	8.5	9.0	31.2	57.0	60.4	64.0	67.9	71.3	74.8	78.6	82.5
Sales, general, administrative	13.4	3.3	3.8	3.8	3.9	14.7	17.2	22.1	38.2	110.1	115.6	121.3	127.4	133.8
Cost of goods										6.1	26.3	42.6	49.9	58.2
Royalty expense										1.5	6.6	10.7	12.5	14.5
Total Operating Expenses	**37.8**	**10.1**	**10.7**	**12.3**	**12.9**	**46.0**	**74.2**	**82.5**	**102.2**	**185.5**	**219.7**	**249.5**	**268.4**	**289.0**
Operating income (loss)	(26.9)	(8.5)	(8.2)	(6.5)	(12.1)	(35.3)	(6.8)	(63.3)	(63.8)	(95.9)	17.4	151.5	191.4	251.9
Total Other Income (Expense)	(0.8)	0.2	(0.2)	(0.0)	(0.0)	(0.1)	(0.0)	0.8	0.6	0.4	0.8	1.0	1.2	1.5
Pre Tax Income	(27.7)	(8.3)	(8.4)	(6.5)	(12.1)	(35.4)	(6.8)	(62.5)	(63.2)	(95.5)	18.2	152.5	192.6	253.4
Income tax													67.4	88.7
Net Income	**(31.4)**	**(8.3)**	**(8.4)**	**(6.5)**	**(12.1)**	**(35.4)**	**(6.8)**	**(62.5)**	**(63.2)**	**(95.5)**	**18.2**	**152.5**	**125.2**	**164.7**
EPS - basic (proforma)	($5.28)	($0.51)	($0.51)	($0.40)	($0.53)	($1.96)	($0.30)	($2.12)	($2.12)	($3.15)	$0.59	$4.88	$3.95	$5.12
EPS - diluted (proforma)	($5.28)	($0.51)	($0.51)	($0.40)	($0.53)	($1.96)	($0.30)	($2.12)	($2.12)	($3.15)	$0.53	$4.37	$3.53	$4.57
Shares outstanding - basic (proforma)	5.94	16.42	16.46	16.55	22.63	18.02	22.91	29.43	29.87	30.32	30.78	31.24	31.71	32.18
Shares outstanding - diluted (proforma)	5.94	16.42	16.46	16.55	22.63	18.02	23.73	29.43	29.87	30.32	34.39	34.92	35.46	36.01

Source: Company data, Credit Suisse estimates

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Companies Mentioned *(Price as of 07-Aug-2014)*

Amgen Inc. (AMGN.OQ, $125.75)
AstraZeneca (AZN.L, 4189.0p)
BIND Therapeutics (BIND.OQ, $9.0, OUTPERFORM[V], TP $20.0)
Pfizer (PFE.N, $28.04)
Roche (ROG.VX, SFr258.7)

Disclosure Appendix

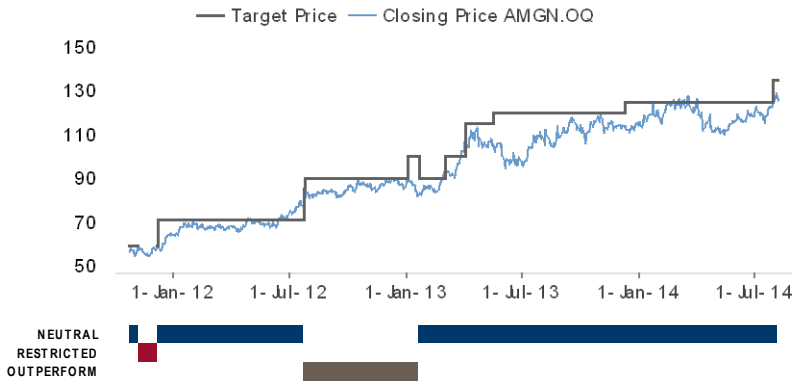
Important Global Disclosures

Jason Kantor, PhD, Ravi Mehrotra PhD and Lee Kalowski each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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

AMGN.OQ	Closing Price	Target Price	
Date	(US$)	(US$)	Rating
25-Oct-11	56.45	59.00	N
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	
30-Jul-14	130.01	135.00	

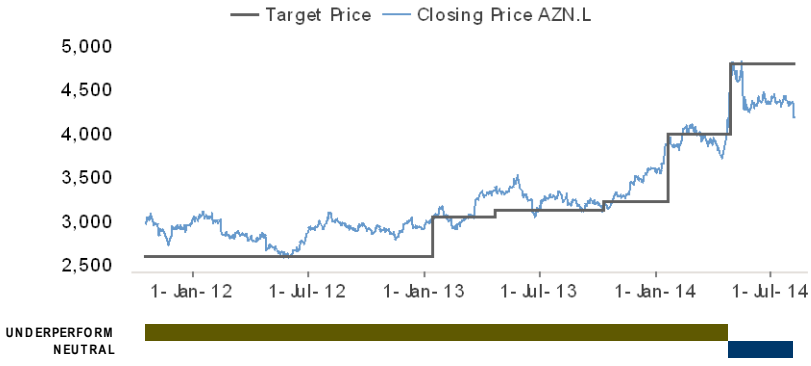
** Asterisk signifies initiation or assumption of coverage.*



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

AZN.L	Closing Price	Target Price	
Date	(p)	(p)	Rating
19-Oct-11	2981.00	2600.00	U
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	
28-Apr-14	4666.50	4800.00	N

** Asterisk signifies initiation or assumption of coverage.*



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

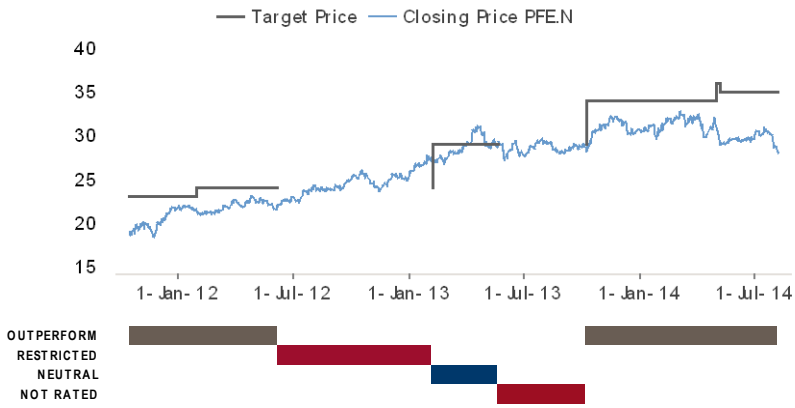
BIND.OQ	Closing Price	Target Price	
Date	(US$)	(US$)	Rating
15-Oct-13	15.10	21.00	O *
02-Jul-14	12.88	20.00	

** 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
17-Oct-11	18.69	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 *
01-May-14	31.15	36.00	
07-May-14	29.02	35.00	

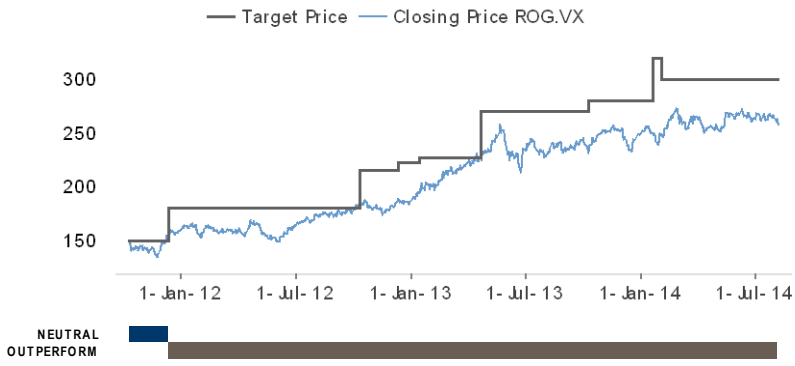
** Asterisk signifies initiation or assumption of coverage.*



3-Year Price and Rating History for Roche (ROG.VX)

ROG.VX	Closing Price	Target Price	
Date	(SFr)	(SFr)	Rating
11-Oct-11	148.90	150.00	N
12-Dec-11	153.90	180.00	O
11-Oct-12	181.20	215.00	
12-Dec-12	187.20	223.00	
14-Jan-13	194.60	227.00	
22-Apr-13	225.10	270.00	
10-Oct-13	234.60	280.00	
20-Jan-14	250.00	320.00	
03-Feb-14	248.20	300.00	

** Asterisk signifies initiation or assumption of coverage.*



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**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings*

are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.

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Underperform/Sell*	13%	(46% banking clients)
Restricted	3%	

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

Method: Our $20 target price for BIND is based on DCF (discounted cash flow) using probability-weighted sales estimates for BIND-014 modeled through 2028 ($16.6 per share) and a DCF analysis of three partnerships with major pharmaceutical companies ($3.6 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 $20 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.

Please refer to the firm's disclosure website at https://rave.credit-suisse.com/disclosures for the definitions of abbreviations typically used in the target price method and risk sections.

See the Companies Mentioned section for full company names

The subject company (BIND.OQ, PFE.N, AZN.L, AMGN.OQ, ROG.VX) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (BIND.OQ, PFE.N, AMGN.OQ) within the past 12 months.

Credit Suisse provided non-investment banking services to the subject company (PFE.N, AZN.L, AMGN.OQ, ROG.VX) within the past 12 months

Credit Suisse has managed or co-managed a public offering of securities for the subject company (BIND.OQ, PFE.N, AMGN.OQ) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (BIND.OQ, PFE.N, AMGN.OQ) within the past 12 months

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