

BIND Therapeutics (BIND)

SMALL & MID CAP RESEARCH



Rating	OUTPERFORM* [V]
Price (08 May 14, US\$)	8.91
Target price (US\$)	21.00 ¹
52-week price range	15.40 - 8.49
Market cap. (US\$ m)	146.50
Enterprise value (US\$ m)	35.01

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

¹Target price is for 12 months.

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

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Phase II Data Remains Key Catalyst

BIND reported important progress and expansion of its Phase II program for BIND-014. 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 H2:14.

- **Q1 in-line:** BIND reported operating results and EPS relatively in-line with our expectations. EPS for Q1:14 was (\$0.51) vs our estimate of (\$0.50). Current cash of \$68.7M should last into mid-2015. Slight changes to our expenses decreased in our forward EPS estimates.
- **Phase II NSCLC progress:** BIND completed enrollment in the Q3W arm and is initiating enrollment in the Q1W arm. Q3W arm (first 20 pts) passed its interim futility hurdle. **Activity in KRAS mutants:** In the Phase II NSCLC trial, a planned interim analysis of six patients with KRAS mutations showed two partial responses (PR) and two stable disease (≥ 12 weeks). This result is significant because of the historical lack of response to any standard treatment in KRAS mutant pts (0-5% historical response rate to docetaxel). BIND plans to initiate another trial in 20 KRAS NSCLC patients in Q3:14.
- **Expanding indications for BIND-014:** In addition to the ongoing NSCLC and prostate trials, BIND plans to begin single-arm studies in cervical, bladder, cholangio and neuroendocrine cancers (25 pts each cancer) in Q3:14. This represents a significant expansion of the program into multiple unmet need populations, which may offer fast to market strategies.

Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US\$)	-5.28	-2.03	-0.22	-2.05
Prev. EPS (US\$)	—	-1.95	-0.14	-1.99
P/E (x)	-1.7	-4.4	-41.0	-4.3
P/E rel. (%)	-9.8	-27.6	-287.7	-33.8
Revenue (US\$ m)	10.9	9.0	67.4	19.2
EBITDA (US\$ m)	-25.4	-35.2	-3.4	-59.7
OCFPS (US\$)	-2.19	-1.84	-0.06	-1.75
P/OCF (x)	-6.9	-4.8	-145.0	-5.1
EV/EBITDA (current)	-3.9	-2.8	-29.7	-1.7
Net debt (US\$ m)	-47	-111	-108	-221
ROIC (%)	-119.99	-86.30	-10.23	-124.43
Number of shares (m)	16.44	IC (current, US\$ m)		22.39
BV/share (Next Qtr., US\$)	10.7	EV/IC (x)		3.1
Net debt (Next Qtr., US\$ m)	-21.9	Dividend (current, US\$)		—
Net debt/tot cap (Next Qtr., %)	-35.2	Dividend yield (%)		—

Source: Company data, Credit Suisse estimates

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Expansion of Phase II program

The company is planning to initiate 5 new single arm trials in Q3:14:

20 pts KRAS mutant NSCLC. This study follows up on positive data from the Q3W trial in NSCLC which evaluated 6 KRAS mutant patients including 2 PRs and 2 SDs.

Four new unmet need indications where BIND-014 showed signs of efficacy in Phase I. These cohorts are each being run with a two stage design and could begin to generate data in 2015.

- 25 pts cervical
- 25 pts bladder
- 25 pts cholangio
- 25 pts neuroendocrine cancer

Q1 Results

BIND reported Q1 revenue of \$1.6M vs our estimate of \$2.1M. R&D expenses were lower at \$6.8M vs. our estimate of \$7.5M and G&A expenses came in at \$3.3M, slightly higher than our estimate of \$2.8M. EPS for Q1:14 was (\$0.51), in-line with our estimate of (\$0.50).

BIND still expects its current cash position of \$68.7M to support operations into mid-2015.

Exhibit 1: BIND Q1:14 Variance Table

Income Statement	1Q:14	CS		Consensus	
	Act.	1Q:14 Est	Delta	1Q:14 Est	Delta
Revenues	\$ -	\$ -	\$ -		\$ -
BIND-014 US sales	\$ -	\$ -	\$ -		\$ -
Partnering, grants, milestones	\$ 1.6	\$ 2.1	\$ (0.5)		\$ 1.6
Total Revenues	\$ 1.6	\$ 2.1	\$ (0.5)	\$ 2.5	\$ (0.9)
Expenses	\$ -	\$ -	\$ -		\$ -
Research and development	\$ 6.8	\$ 7.5	\$ (0.7)		\$ 6.8
Sales, general, administrative	\$ 3.3	\$ 2.8	\$ 0.5		\$ 3.3
Total Operating Expenses	\$ 10.1	\$ 10.3	\$ (0.2)		\$ 10.1
Operating income (loss)	\$ (8.5)	\$ (8.3)	\$ (0.3)	\$ (8.7)	\$ 0.2
Total Other Income (Expense)	\$ 0.2	\$ (0.0)	\$ 0.2		\$ 0.2
Pre Tax Income	\$ (8.3)	\$ (8.3)	\$ (0.1)		\$ (8.3)
Income tax	\$ -	\$ -	\$ -		\$ -
Net Income	\$ (8.3)	\$ (8.3)	\$ (0.1)	\$ (8.6)	\$ 0.3
EPS - basic (proforma)	(\$0.51)	(\$0.50)	(\$0.00)	(\$0.53)	\$0.02
EPS - diluted (proforma)	(\$0.51)	(\$0.50)	(\$0.00)	(\$0.53)	\$0.02
					\$ -
Shares outstanding - basic (proforma)	16.42	16.38	0.04		
Shares outstanding - diluted (proforma)	16.42	16.38	0.04		

Source: Company data, Credit Suisse estimates

Exhibit 2: BIND News Flow

Product/Event	Indication	Catalyst	Expected Date
BIND-014	KRAS mutant NSCLC	Initiate new Phase II trial	Q3:14
BIND-014	4 new indications	Initiate new Phase II trial	Q3:14
BIND-014	NSCLC and mCRPC	Phase II data in NSCLC and mCRPC	H2:14
Partnered program	N/A	IND submission	YE:14 / Early 2015
BIND-014	KRAS mutant NSCLC	Initial Phase II data	Q1:15
BIND-014	4 new indications	Initial Phase II data	H1:15
2nd BIND product	N/A	IND submission	2015
3rd BIND product	N/A	IND enabling tox studies	2015

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	Q1:14A	Q2:14E	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	22.0	33.7	46.2
Partnering, grants, milestones	10.9	1.6	0.8	5.8	0.8	9.0	67.4	19.2	38.4	39.0	10.0	23.8	10.0	10.0
Total Revenues	10.9	1.6	0.8	5.8	0.8	9.0	67.4	19.2	38.4	89.6	237.1	401.0	459.9	540.9
Expenses														
Research and development	24.4	6.8	8.0	8.5	9.0	32.3	57.0	60.4	64.0	67.9	71.3	74.8	78.6	82.5
Sales, general, administrative	13.4	3.3	3.3	3.4	3.4	13.3	15.3	20.1	36.1	107.9	113.3	119.0	124.9	131.2
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	11.3	11.9	12.4	45.7	72.3	80.5	100.2	183.4	217.4	247.1	265.9	286.4
Operating income (loss)	(26.9)	(8.5)	(10.5)	(6.1)	(11.6)	(36.7)	(4.9)	(61.3)	(61.8)	(93.8)	19.6	153.9	193.9	254.5
Total Other Income (Expense)	(0.8)	0.2	(0.0)	(0.0)	(0.0)	0.2	(0.0)	0.8	0.6	0.4	0.8	1.0	1.2	1.5
Pre Tax Income	(27.7)	(8.3)	(10.5)	(6.1)	(11.6)	(36.6)	(5.0)	(60.5)	(61.2)	(93.4)	20.4	154.9	195.1	256.0
Income tax													68.3	89.6
Net Income	(31.4)	(8.3)	(10.5)	(6.1)	(11.6)	(36.6)	(5.0)	(60.5)	(61.2)	(93.4)	20.4	154.9	126.8	166.4
EPS - basic (proforma)	(\$5.28)	(\$0.51)	(\$0.64)	(\$0.37)	(\$0.51)	(\$2.03)	(\$0.22)	(\$2.05)	(\$2.04)	(\$3.08)	\$0.66	\$4.95	\$3.99	\$5.16
EPS - diluted (proforma)	(\$5.28)	(\$0.51)	(\$0.64)	(\$0.37)	(\$0.51)	(\$2.03)	(\$0.22)	(\$2.05)	(\$2.04)	(\$3.08)	\$0.59	\$4.43	\$3.57	\$4.61
Shares outstanding - basic (proforma)	5.94	16.42	16.51	16.59	22.67	18.05	22.96	29.48	29.92	30.37	30.82	31.28	31.75	32.23
Shares outstanding - diluted (proforma)	5.94	16.42	16.51	16.59	22.67	18.05	23.77	29.48	29.92	30.37	34.43	34.97	35.51	36.06

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 08-May-2014)**Amgen Inc.** (AMGN.OQ, \$110.78)**AstraZeneca** (AZN.L, 4713.0p)**BIND Therapeutics** (BIND.OQ, \$8.91, OUTPERFORM[V], TP \$21.0)**Pfizer** (PFE.N, \$29.17)

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
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.

NEUTRAL
RESTRICTED
OUTPERFORM

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.

UNDERPERFORM
NEUTRAL



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 *

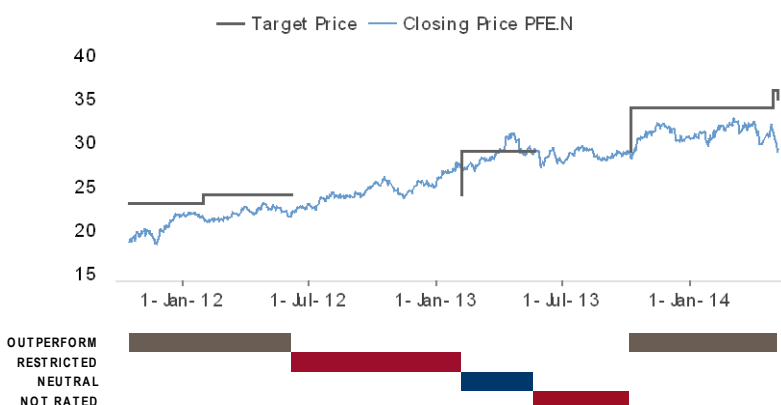
* Asterisk signifies initiation or assumption of coverage.



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

PFE.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
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	

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Underperform/Sell*	13%	(44% banking clients)
Restricted	3%	

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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.

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