

# Ambit Biosciences

(AMBI-NASDAQ)

**Stock Rating:** Outperform  
**Industry Rating:** Outperform

## Solid Strategy for Quizartinib into EOP2 Meeting

### Event

The BMO Biotech team hosted Ambit Biosciences (AMBI) at our corporate access event in Boston yesterday. The meeting with CEO Dr. Mike Martino and CFO Alan Fuhrman focused on the ongoing phase 2b development of FLT-3 inhibitor quizartinib and plans for optimal development and commercialization. With an end-of-phase 2 meeting scheduled for September AMBI is focused on establishing clinical relevance of CRc in particular and appears confident that CRc rates will hold up at lower doses, with less QTc risk. Analysis of three large databases from MD Anderson, the University of Ulm and Cardiff should support correlation of CRc with overall survival data, and a bridge to transplant data for quizartinib from phase 2 will also be highlighted at the EOP2 by key experts. If the question of accelerated approval is presented as a "review item" by FDA, AMBI will pursue an ODAC panel but is also finalizing a protocol for a phase 3 study in refractory FLT-3 AML with a potential for post-transplant maintenance included.

### Impact

Reiterate Outperform rating following our meeting with AMBI. While a path to accelerated approval for quizartinib is not guaranteed, we're impressed with the level of support being accumulated before the EOP2 meeting. Separate feedback from our AML expert suggests enthusiasm for quizartinib, and we expect the drug to gain approval and support upside from current levels.

### Forecasts

We estimate a per share loss of (\$1.92) in 2013.

### Valuation

Our \$10/share price target is based on a sum-of-the-parts, probability-adjusted NPV, with US quizartinib value of \$7/share, (60% likelihood of success) and EU value of \$3/share (assuming 55% likelihood of success).

### Recommendation

We rate AMBI shares Outperform.

August 2, 2013

## Biotechnology

**Jim Birchenough, M.D.**

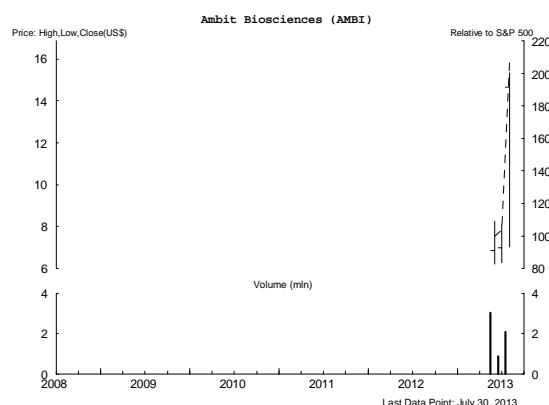
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**Chuck Whitesell / Nick Abbott, PhD**

### Securities Info

<b>Price (1-Aug)</b>	<b>\$14.61</b>	<b>Target Price</b>	<b>\$10</b>
52-Wk High/Low	\$15/\$6	Dividend	--
Mkt Cap (mm)	\$259	Yield	--
Shs O/S (mm, BASIC)	17.7	Float O/S (mm)	2.5
Options O/S (mm)	na	ADVol (30-day, 000s)	78

### Price Performance



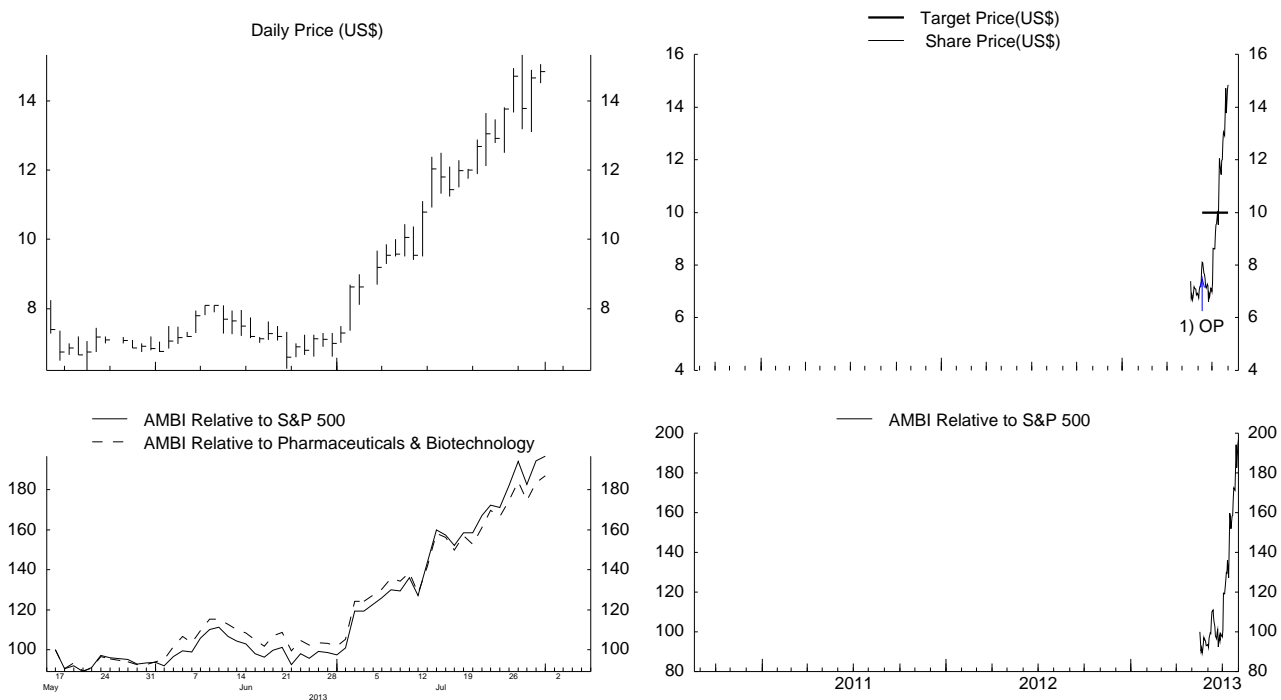
### Valuation/Financial Data

(FY-Dec.)	2011A	2012A	2013E	2014E
EPS GAAP	NA	NA	-\$1.92	-\$2.03
P/E			nm	nm
First Call Cons.			-\$1.84	-\$1.84
FCF	NA	NA	NA	-\$2.32
P/FCF			na	nm
EBITDA (\$mm)	-\$34	-\$23	-\$27	-\$38
EV/EBITDA			nm	nm
Rev. (\$mm)	\$24	\$18	\$7	\$0
EV/Rev			38.4x	nm
<b>Quarterly EPS</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
2012A	NA	NA	NA	NA
2013E	NAA	-\$0.37	-\$0.44	-\$0.46
<b>Balance Sheet Data (31-Mar)</b>				
Net Debt (\$mm)	-\$5		Total Debt/EBITDA	nm
Total Debt (\$mm)	\$3		EBITDA/IntExp	na
Net Debt/Cap.	15.7%		Price/Book	0.0x

Notes: Quarterly EPS may not sum due to share count. All values in US\$.

Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Ambit Biosciences (AMBI)



AMBI - Rating as of 15-May-13 = NR

Date	Rating Change	Share Price
1 10-Jun-13	NR to OP	\$7.79

Last Daily Data Point: July 31, 2013

## Important Disclosures

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### Methodology and Risks to Our Price Target/Valuation

**Methodology:** Our \$10/share price target is supported by a sum-of-the-parts, probability adjusted NPV which estimates value of quizartinib in the US at \$7/share assuming 60% likelihood of success and in the EU of \$3/share assuming 55% likelihood of success.

**Risks:** There are a number of risks associated with investment in biotechnology companies. These risks include, but are not limited to, risk of clinical trial delay or failure, adverse regulatory decisions including product non-approval, unanticipated adverse effects of drugs which may result in removal from market, risk of manufacturing difficulties, capital market risk which may impair the ability to fund product discovery, research, regulatory filing, manufacture and/or commercialization, risk in attaining and retaining appropriate development or commercial partners, lower-than-expected product adoption, difficulties in gaining appropriate reimbursement for products from payors, unforeseen generic and branded competition, risk to patents being invalidated, and failure to meet earnings and revenue expectations.

### Distribution of Ratings (June 30, 2013)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
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Hold	Market Perform	56.8%	10.2%	45.9%	53.9%	45.5%	41.1%
Sell	Underperform	5.3%	3.2%	1.4%	6.5%	3.5%	5.6%

\* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;

(S) = Speculative investment;

NR = No rating at this time; and

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