

Concert Pharmaceuticals

Lowering PT on CTP-354 Delay; Bull Case More on CTP-499

Conclusion: Lower likelihood '354 success, but stock still has upside potential

Concert announced today its decision to delay the initiation of the CTP-354 ph2 program (previously planned in 2H14) due to the need for additional preclinical studies to address the unexpected findings from a 3-month toxicity study in animals. Although the nature of findings is still unclear, we think this does increase risk to the program, and we are therefore lowering the probability of success for '354 to 10% (from 15%). However, we believe very little of '354 is in the stock, and hence see little downside on the update. We see upside from progress on '499, which we see as lower risk, as well as advancement of the proprietary pipeline (new IND 2015e).

Key points from the quarter and conference call

[1] New tox signals, which were not seen in the prior 1-month study, were observed in one species of animals tested in a 3-month study. The nature of the tox findings is not disclosed, but it appears to be related to a metabolite of '354, and the company suggests it might be species specific. Management noted that human data in over 100 healthy individuals haven't showed any tox so far, though we recognize all studies have been short-term. **[2]** The company hasn't informed the FDA about the findings, as it hasn't received the full data package itself yet. The additional preclinical studies are voluntary and will take at least 6 months to complete. **[3]** CTP-499 is on track for a SPA submission to FDA by YE14. With the ph3 expected to start shortly, we see significant optionality with a partnership deal potentially in 2015. **[4]** Other collaboration programs continue to progress. The recent positive ph2 data of AVP-923 brings more certainty to the expedited pathways of AVP-786 in ph3, which can reference data. Initial data of Jazz program continue to be expected by YE14.

Implications: Incremental negative, but we've been more focused on CTP-499

While we are lowering our expectations for '354, we continue to see opportunity in Concert's pipeline, especially '499, which looks like a good product for kidney disease.

Valuation: Buy; Lowering PT to \$22 (from prior \$25) by SOTP supported by DCF

We estimate that '354 is worth ~\$4 and '499 is worth ~\$8.50 on a risk-adjusted basis.

Equities

Americas
Biotechnology

12-month rating

Buy

12m price target

US\$22.00

Prior: US\$25.00

Price

US\$12.83

RIC: CNCE.O BBG: CNCE US

Trading data and key metrics

52-wk range	US\$15.08-0.00
Market cap.	US\$0.23bn
Shares o/s	18.1m (COM)
Free float	35%
Avg. daily volume ('000)	183
Avg. daily value (m)	US\$2.2
Common s/h equity (12/14E)	US\$0.05bn
P/BV (12/14E)	4.0x
Net debt / EBITDA (12/14E)	1.8x

EPS (UBS, diluted) (US\$)

	12/14E			
	From	To	% ch	Cons.
Q1	-	-	-	(0.76)
Q2	-	-	-	(0.45)
Q3	-	-	-	(0.49)
Q4E	-	-	-	(0.50)
12/14E	(2.02)	(1.95)	3.73	(1.94)
12/15E	(1.25)	(1.03)	17.68	(1.32)
12/16E	(1.05)	(0.77)	27.13	(1.19)

Matthew Roden, PhD

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

Jeffrey Hung

Associate Analyst
jeffrey.hung@ubs.com
+1-212-713 3982

Charles Shi, PhD

Associate Analyst
charles.shi@ubs.com
+1-212-713 4105

Highlights (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	19	13	25	9	30	56	78	124
EBIT (UBS)	(11)	(19)	(4)	(29)	(17)	(16)	(28)	0
Net earnings (UBS)	(12)	(21)	(6)	(31)	(19)	(18)	(29)	(1)
EPS (UBS, diluted) (US\$)	(9.66)	(16.15)	(4.99)	(1.95)	(1.03)	(0.77)	(1.23)	(0.06)
DPS (US\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	23	7	10	49	33	149	133	141
Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
EBIT margin %	-58.3	-144.8	-17.4	-333.4	-57.1	-29.3	-35.8	0.2
ROIC (EBIT) %	-	>500	74.6	>500	(454.9)	(258.0)	(454.5)	4.8
EV/EBITDA (core) x	-	-	-	-7.3	-12.1	-9.6	-3.5	39.9
P/E (UBS, diluted) x	-	-	-	(6.6)	(12.5)	(16.8)	(10.4)	NM
Equity FCF (UBS) yield %	-	-	-	(13.6)	(6.3)	(4.8)	(9.0)	2.4
Net dividend yield %	-	-	-	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$12.83 on 12 Nov 2014 18:42 EST

www.ubs.com/investmentresearch

This report has been prepared by UBS Securities LLC. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 7.** UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Investment Thesis

Concert Pharmaceuticals

Investment case

Our buy thesis is based on the company's proprietary know-how, significant market opportunity, and proven expertise in drug development of the management. The key tenets of our Buy rating on CNCE are: [1] The company has two wholly-owned compounds, each targeting an indication with significant unmet medical needs and with market opportunity over \$1bn. [2] The DCE platform has also yielded partnerships with Celgene, Jazz Pharmaceuticals, and Avanir. These collaborative programs with quality partners not only provided technology validations but could also bring potential milestones totalling \$1.7bn. [3] Our analysis based on comps and fundamental valuation suggests significant upside from the current trading level.

Upside scenario

Our upside scenario \$57 reflects a higher probability of success for the two wholly-owned compounds. We assume 30% for CTP-354 in MI and SCL, and 40% for CTP-499 in CKD.

Downside scenario

Our downside scenario \$6 assumes a failure of CTP-345 in MS and SCL.

Upcoming catalysts

[1] Feedback from end-of-ph2 meeting with FDA on '499 in 2H14; [2] data from Jazz' ph1 trial by YE14; [3] additional animal tox data of '354 in 2015; [4] potential partnership of '499 1H15.

12-month rating

Buy

12m price target

US\$22.00

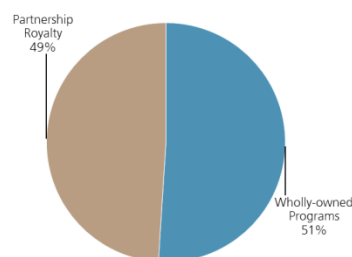
Business description

Concert Pharmaceuticals is a clinical-stage company that applies its knowledge of deuterium chemistry to develop novel small molecule drugs using its Deuterated Chemical Entity (DCE) Platform. Among its wholly-owned assets, the company is currently developing CTP-354 for spasticity associated with multiple sclerosis/spinal cord injury and CTP-499 for diabetic kidney disease. In addition, the company is developing product candidates in its partnerships with Celgene, Jazz Pharmaceuticals, and Avanir.

Industry outlook

While we expect large cap biotech to continue positive momentum on strong earnings growth, the smid cap universe will continue to be very data-driven and to be tightly correlated to market risk appetite. Many smid-cap names have gotten credit for pipeline optionality during the recent biotech rally, but we believe CNCE can be an outperformer of peers based on organic pipeline development and potential partnering

Revenues by sources (%) 2020



Revenues by segment

Segment Revenues (\$m)	2017E	2018E	2019E	2020E
Neurology	1	7	29	63
Nephrology	0	4	12	20
Oncology	0	0	1	4
Other License and Milestones	104	141	173	175
Total	105	152	214	261

Source for chart and table: UBS

Figure 1: CNCE 2014-2017 UBSe model changes

USD MMs except EPS, December fiscal year	<u>2014E</u>	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>
<u>Revenues</u>				
Total revenue - New	8.8	30.4	56.2	77.6
Total revenue - Old	7.5	30.4	56.2	77.6
Change	1.3	0.0	(0.0)	0.0
<u>Operating Expenses</u>				
Cost of goods sold - New	-	-	-	-
Cost of goods sold - Old	-	-	-	-
Change	-	-	-	-
Research and development - New	27.2	35.4	58.4	87.6
Research and development - Old	27.2	39.5	65.2	91.2
Change	0.0	(4.1)	(6.8)	(3.6)
Selling, general, and administrative - New	10.8	12.4	14.2	17.8
Selling, general, and administrative - Old	10.8	12.4	14.2	17.8
Change	(0.0)	(0.0)	0.0	(0.0)
Net Income - New	(30.9)	(19.0)	(18.1)	(29.5)
Net Income - Old	(32.1)	(23.1)	(24.9)	(33.1)
Change	1.2	4.1	6.8	3.6
Diluted EPS - New	(1.95)	(1.03)	(0.77)	(1.23)
Diluted EPS - Old	(\$2.02)	(\$1.25)	(\$1.05)	(\$1.38)
Change	\$0.07	\$0.22	\$0.28	\$0.15
Shares Outstanding (Diluted) - New	20.0	22.6	27.8	28.0
Shares Outstanding (Diluted) - Old	20.0	22.6	27.8	28.0
Change	0.0	(0.0)	(0.0)	0.0

Source: UBS estimates

Concert Pharmaceuticals (CNCE.O)

Income statement (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	19	13	25	9	-65.5	30	246.9	56	78	124
Gross profit	-	-	-	-	-	-	-	-	-	-
EBITDA (UBS)	(10)	(17)	(3)	(28)	NM	(16)	43.3	(15)	(26)	2
Depreciation & amortisation	(2)	(1)	(1)	(1)	10.0	(2)	10.0	(2)	(2)	(2)
EBIT (UBS)	(11)	(19)	(4)	(29)	NM	(17)	40.6	(16)	(28)	0
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	0	(2)	(2)	(2)	0.0	(2)	0.0	(2)	(2)	(2)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	(11)	(20)	(6)	(31)	NM	(19)	38.4	(18)	(29)	(1)
Tax	0	0	0	0	-	0	-	0	0	0
Profit after tax	(11)	(20)	(6)	(31)	NM	(19)	38.4	(18)	(29)	(1)
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(1)	0	0	0	86.1	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	(12)	(21)	(6)	(31)	-379.4	(19)	38.5	(18)	(29)	(1)
Net earnings (UBS)	(12)	(21)	(6)	(31)	-379.4	(19)	38.5	(18)	(29)	(1)
Tax rate (%)	0.0	0.0	0.0	0.0	-	0.0	-	0.0	0.0	0.0
Per share (US\$)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	(9.66)	(16.15)	(4.99)	(1.95)	61.0	(1.03)	47.1	(0.77)	(1.23)	(0.06)
EPS (local GAAP, diluted)	(9.66)	(16.15)	(4.99)	(1.95)	61.0	(1.03)	47.1	(0.77)	(1.23)	(0.06)
EPS (UBS, basic)	(9.66)	(16.15)	(4.99)	(1.95)	61.0	(1.03)	47.1	(0.77)	(1.23)	(0.06)
Net DPS (US\$)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted)*	(8.39)	(15.02)	(3.95)	(1.86)	53.1	(0.94)	49.2	(0.69)	(1.15)	0.03
Book value per share	19.28	4.02	0.11	3.23	NM	2.09	-35.2	6.59	5.77	6.03
Average shares (diluted)	1.28	1.29	1.29	15.88	NM	18.46	16.3	23.65	23.88	24.12
Balance sheet (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Cash and equivalents	23	7	10	49	NM	33	-32.8	149	133	141
Other current assets	21	21	24	25	0.8	25	2.1	26	28	29
Total current assets	44	29	34	74	116.8	58	-21.2	175	160	170
Net tangible fixed assets	4	3	2	3	8.1	3	7.9	3	3	4
Net intangible fixed assets	0	0	0	0	-	0	-	0	0	0
Investments / other assets	1	1	3	3	0.0	3	0.0	3	3	3
Total assets	49	33	40	80	100.5	64	-19.3	181	167	177
Trade payables & other ST liabilities	10	8	16	9	-46.0	9	5.6	9	13	15
Short term debt	0	0	0	0	-	0	-	0	0	0
Total current liabilities	10	8	16	9	-46.0	9	5.6	9	13	15
Long term debt	0	0	0	0	-	0	-	0	0	0
Other long term liabilities	14	20	24	20	-16.3	17	-16.3	17	17	17
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	25	28	40	28	-28.2	26	-9.6	25	29	31
Common s/h equity	25	5	0	51	NM	39	-24.7	156	138	145
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	49	33	40	80	100.5	64	-19.3	181	167	177
Cash flow (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Net income (before pref divs)	(12)	(21)	(6)	(31)	-379.4	(19)	38.5	(18)	(29)	(1)
Depreciation & amortisation	2	1	1	1	10.0	2	10.0	2	2	2
Net change in working capital	(10)	(9)	17	(3)	-	2	-	4	5	3
Other operating	1	1	1	1	40.0	1	8.5	2	2	2
Operating cash flow	(19)	(27)	13	(31)	-	(14)	54.2	(11)	(21)	6
Tangible capital expenditure	0	0	0	0	44.8	0	-5.0	0	0	0
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	0	0	0	0	-	0	-	0	0	0
Other investing	23	(1)	(3)	0	-	0	-	0	0	0
Investing cash flow	23	(1)	(4)	0	94.5	0	-5.0	0	0	0
Equity dividends paid	0	0	0	0	-	0	-	0	0	0
Share issues / (buybacks)	0	0	0	78	NM	0	-	123	0	0
Other financing	7	12	(5)	(4)	26.10	(3)	16.67	0	0	0
Change in debt & pref shares	0	0	0	0	-	0	-	0	0	0
Financing cash flow	7	12	(5)	74	-	(3)	-	123	0	0
Cash flow inc/(dec) in cash	11	(16)	4	43	NM	(18)	-	111	(21)	6
FX / non cash items	-	0	(2)	(3)	-92.2	2	-	4	5	3
Balance sheet inc/(dec) in cash	-	(15)	2	40	NM	(16)	-	115	(16)	9

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.*Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Concert Pharmaceuticals (CNCE.O)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	-	-	-	NM	NM	NM	NM	NM
P/E (UBS, diluted)	-	-	-	(6.6)	(12.5)	(16.8)	(10.4)	NM
P/CEPS	-	-	-	NM	NM	NM	NM	NM
Equity FCF (UBS) yield %	-	-	-	(13.6)	(6.3)	(4.8)	(9.0)	2.4
Net dividend yield (%)	-	-	-	0.0	0.0	0.0	0.0	0.0
P/BV x	-	-	-	4.0	6.1	1.9	2.2	2.1
EV/revenues (core)	-	-	-	NM	6.3	2.5	1.2	0.8
EV/EBITDA (core)	-	-	-	-7.3	-12.1	-9.6	-3.5	39.9
EV/EBIT (core)	-	-	-	NM	NM	NM	NM	NM
EV/OpFCF (core)	-	-	-	NM	NM	NM	NM	NM
EV/op. invested capital	-	-	-	NM	NM	NM	NM	NM
Enterprise value (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	-	-	-	232	232	232	232	232
Net debt (cash)	-	(15)	(9)	(29)	(41)	(91)	(141)	(137)
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	-	-	-	203	191	141	92	95
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	-	-	-	203	191	141	92	95
Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	-	-34.0	97.7	-65.5	NM	84.8	38.1	60.0
EBITDA (UBS)	-	-76.4	82.1	NM	43.3	6.8	-76.1	-
EBIT (UBS)	-	-64.0	76.3	NM	40.6	5.2	-68.9	-
EPS (UBS, diluted)	-	-67.2	69.1	61.0	47.1	25.6	-61.1	95.4
Net DPS	-	-	-	-	-	-	-	-
Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	-	-	-	-	-	-	-	-
EBITDA margin	NM	NM	NM	NM	NM	NM	NM	1.9
EBIT margin	-58.3	-144.8	-17.4	-333.4	-57.1	-29.3	-35.8	0.2
Net earnings (UBS) margin	NM	NM	NM	NM	NM	NM	NM	NM
ROIC (EBIT)	-	>500	74.6	>500	(454.9)	(258.0)	(454.5)	4.8
ROIC post tax	-	NM	74.6	NM	NM	NM	NM	4.8
ROE (UBS)	-	(139.3)	(243.4)	(120.2)	(42.3)	(18.6)	(20.1)	(1.0)
Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	2.4	0.4	3.1	1.8	2.1	10.1	5.1	(59.3)
Net debt / total equity %	(92.8)	(145.1)	NM	(95.9)	(85.6)	(95.4)	(96.4)	(97.2)
Net debt / (net debt + total equity) %	NM	NM	NM	NM	NM	NM	NM	NM
Net debt/EV	-	-	-	(24.3)	(17.3)	NM	NM	NM
Capex / depreciation %	17.9	32.2	27.0	13.5	12.9	12.3	11.8	11.2
Capex / revenue %	1.5	3.6	1.4	2.3	0.7	0.4	0.3	0.2
EBIT / net interest	NM	NM	NM	NM	NM	NM	NM	0.1
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-
Revenues by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	19	13	25	9	30	56	78	124
Total	19	13	25	9	30	56	78	124
EBIT (UBS) by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	(11)	(19)	(4)	(29)	(17)	(16)	(28)	0
Total	(11)	(19)	(4)	(29)	(17)	(16)	(28)	0

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+71.5%
Forecast dividend yield	0.0%
Forecast stock return	+71.5%
Market return assumption	5.5%
Forecast excess return	+66.0%

Statement of Risk

We see several risks to CNCE shares, including clinical, regulatory, and commercial. Clinical risks include if CTP-354 or CTP-499 result in unforeseen safety, tolerability, or toxicity signals, or fails to yield positive clinical results. Regulatory risks include the regulatory agencies not approving the drug candidates after completing clinical trials. Commercial risks include Concert not being the only company developing deuterated analogues or compounds for the specific indications of interest, resulting in competition that may or may not materialize. In addition, generic competitors could challenge the Concert's patent estate after the company brings its products to the market.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, 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 by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	34%
Neutral	FSR is between -6% and 6% of the MRA.	42%	28%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 September 2014.

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.

KEY DEFINITIONS: **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). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: **UK and European Investment Fund ratings and definitions are:** **Buy:** Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities LLC: Matthew Roden, PhD; Jeffrey Hung; Charles Shi, PhD.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Concert Pharmaceuticals ^{2, 4, 6, 13, 16}	CNCE.O	Buy	N/A	US\$12.83	12 Nov 2014

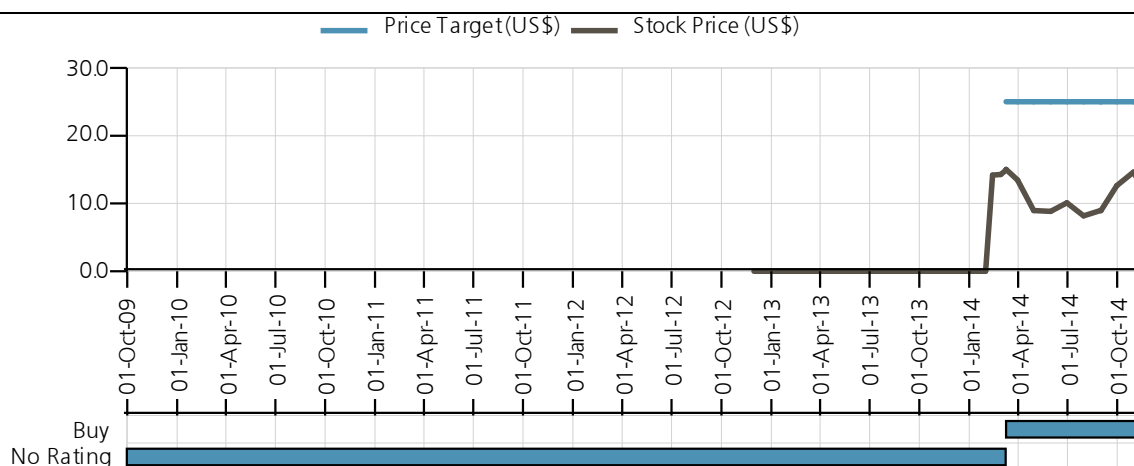
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company/entity or one of its affiliates within the past 12 months.
4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
6. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and investment banking services are being, or have been, provided.
13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).
16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Concert Pharmaceuticals (US\$)



Source: UBS; as of 12 Nov 2014

Global Disclaimer

This document has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

- (i) valuation or accounting purposes;
- (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or
- (iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACP (Autorité de Contrôle Prudentiel) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce. **Russia:** Prepared and distributed by UBS Securities CJSC. **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited, an authorised user of the JSE and an authorised Financial Services Provider. **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a 'non-US affiliate') to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R\$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [mica (p) 107/09/2013 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services Licence No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Dubai:** The research distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (253825-x). **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000 SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437.

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this document in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements that are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2014. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

