

## COMPANY NOTE

Company Update

USA | Healthcare | Biotechnology

December 8, 2014

# Jefferies

## Atara Biotherapeutics (ATRA) Responses Continue to Improve in Phase 2 CMV Data from Collaborator MSKCC

### Key Takeaway

**Collaborators from Memorial Sloan Kettering (MSKCC) presented phase 2 data from use of their transplant donor derived T cell lines for the treatment of cytomegalovirus (CMV) viremia and disease after allogeneic hematopoietic stem cell transplant (HSCT). We view the high response rates including the conversion of PR/SD to CR over time and relatively clean safety profile as positive for the program and more broadly the approach.**

**Phase 2 CMV data.** Data was reported on 38 treated patients (overt CMV disease: 12 and CMV viremia: 26) that received 3 weekly infusions ( $1 \times 10^6$  CMV-CTL/kg/infusion) or higher in patients without toxicity who had failed at least 14 days (median: 113) of multiple antiviral therapies. Initial data demonstrated that in 34/38 evaluable patients, 7 achieved CRs (complete response), 14 PRs (partial response; 62% ORR), 6 SD (stable disease), and 7 progressed. In updated longer-term data reported yesterday at ASH, responses improved over time with 6/20 PR/SD patients achieving CR. 11/12 CR patients continued to remain a CR, 6/7 PD patients died of CMV, and 3/27 with CR/PR/SD also died. There was no evidence of graft vs host disease (GvHD).

**ATRA could exercise option to multiple adoptive T cell programs.** ATRA has an exclusive option agreement for the development and commercialization of these allogeneic T cell therapies targeted to either EBV for the treatment of EBV-associated lymphoma and other malignancies (phase 2), CMV for the treatment of CMV infection or persistent CMV viremia after allogeneic HSCT (phase 2), or WT1 for the treatment of hematologic and solid tumors (phase 1). We expect management to obtain feedback on the regulatory path forward prior to exercising this option.

**Multiple upcoming catalysts in 2015.** ATRA's key clinical programs are expected to have data next year including: phase 2 data for PINTA 745 to treat PEW in ESRD patients in 2H15, potential preliminary data for STM 434 in 2H15, and potential data from the various MSK adoptive T cell programs.

### Valuation/Risks

Our \$35 PT is DCF-based. Risks include clinical, regulatory, competitive, commercial.

USD	Prev.	2013A	Prev.	2014E	Prev.	2015E	Prev.	2016E
Rev. (MM)	--	0.0	--	0.0	--	0.0	--	0.0
<b>EPS</b>								
Mar	--	--	--	(1.02)A	--	--	--	--
Jun	--	--	--	(0.33)A	--	--	--	--
Sep	--	--	--	(0.31)A	--	--	--	--
Dec	--	--	--	(0.31)	--	--	--	--
FY Dec	--	(1.28)	--	(1.16)	--	(1.48)	--	(2.00)
FY P/E		NM		NM		NM		NM

**BUY**

Price target \$35.00

Price \$30.48

### Financial Summary

Net Debt (MM):	\$0.0
Cash & ST Invest. (MM):	\$104.0

### Market Data

52 Week Range:	\$35.45 - \$9.66
Total Entprs. Value (MM):	\$722.4
Market Cap. (MM):	\$722.4
Insider Ownership:	66.3%
Institutional Ownership:	8.7%
Shares Out. (MM):	23.7
Float (MM):	5.8
Avg. Daily Vol.:	NA

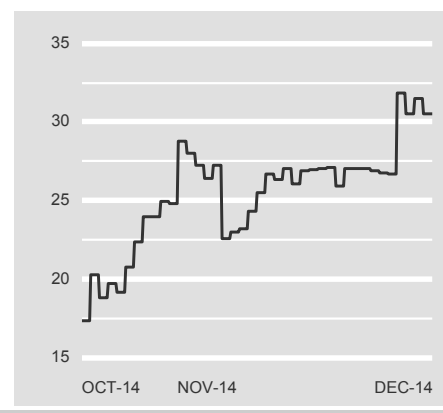
**Ryan Martins \***

Equity Analyst

(415) 229-1582 rmartins@jefferies.com

\* Jefferies LLC

### Price Performance



**Upcoming catalysts for ATRA**

Drug	Indication	Phase	Catalyst	2015				2016			
				1H15		2H15		1H16		2H16	
				1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Pinta 745	PEW in ESRD patients	2	Topline data								
STM 434	Ovarian & other solid tumors	1	Potential Prelim. Data								
STM 434	Ovarian & other solid tumors	1	Topline data								
MSK T-cell	Various	N/A	Option to license period expires			Sep. 23					
EBV T-cell	EBV-assoc. cancers	2	Topline data								
CMV T-cell	CMV infection in immunocompromised	2	Topline data								
WT1 T-cell	Various solid tumors	1	Topline data								

Source: Jefferies estimates, company data

**ATRA Income Statement: 2013A-2020E**

(In Millions, except per share data)	2013A	1Q14A	2Q14A	3Q14A	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
<b>Revenues</b>												
PINTA 745 WW Sales (prob. adjusted)											81.3	185.3
STM 434 WW Sales (prob. adjusted)											-	15.8
EBV T-cell WW sales (prob. adjusted)											-	-
<b>Total Revenues</b>	-	-	-	-	-	-	-	-	-	-	<b>81.3</b>	<b>201.1</b>
<b>Operating Expenses</b>												
COGS											12.2	30.2
% of sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15%	15%
R&D	4.9	3.0	3.2	4.2	4.5	14.7	19.0	25.0	40.0	55.0	65.0	70.0
% of sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	80%	35%
SG&A	3.8	4.1	1.4	1.7	1.7	8.9	11.0	16.0	20.0	35.0	50.0	60.0
% of sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	62%	30%
Milestone payments								8.0		10.0	20.0	
<b>Total Operating expenses</b>	<b>8.6</b>	<b>7.1</b>	<b>4.5</b>	<b>5.9</b>	<b>6.2</b>	<b>23.5</b>	<b>30.0</b>	<b>49.0</b>	<b>60.0</b>	<b>100.0</b>	<b>147.2</b>	<b>160.2</b>
<b>Net Operating Income (Expense)</b>	<b>(8.6)</b>	<b>(7.1)</b>	<b>(4.5)</b>	<b>(5.9)</b>	<b>(6.2)</b>	<b>(23.5)</b>	<b>(30.0)</b>	<b>(49.0)</b>	<b>(60.0)</b>	<b>(100.0)</b>	<b>(65.9)</b>	<b>40.9</b>
<b>Other Income (Expense)</b>												
Interest income	0.0	0.0	-	0.0	-	0.0	-	-	-	-	-	-
<b>Total Other Income (Expense)</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income before taxes	(8.6)	(7.0)	(4.5)	(5.9)	(6.2)	(23.5)	(30.0)	(49.0)	(60.0)	(100.0)	(65.9)	40.9
Taxes	0.2	(0.0)	-	-	-	(0.0)	-	-	-	-	-	-
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Net Income (Loss)</b>	<b>(8.8)</b>	<b>(7.0)</b>	<b>(4.5)</b>	<b>(5.9)</b>	<b>(6.2)</b>	<b>(23.5)</b>	<b>(30.0)</b>	<b>(49.0)</b>	<b>(60.0)</b>	<b>(100.0)</b>	<b>(65.9)</b>	<b>40.9</b>
Basic EPS	(1.28)	(1.02)	(0.33)	(0.31)	(0.31)	(1.16)	(1.48)	(2.00)	(2.45)	(3.66)	(2.40)	1.49
Diluted EPS	(1.28)	(1.02)	(0.33)	(0.26)	(0.26)	(0.99)	(1.26)	(1.75)	(2.14)	(3.24)	(2.13)	1.32
Shares outstanding (Basic)	6.9	6.9	13.7	19.4	20.2	20.2	20.2	24.5	24.5	27.4	27.4	27.5
Shares outstanding (Diluted)	6.9	6.9	13.7	23.0	23.7	23.7	23.8	28.0	28.0	30.9	31.0	31.0

Source: Jefferies estimates, company data

## Company Description

Atara Biotherapeutics, Inc. is a clinical stage biopharmaceutical company focused on developing novel therapeutics for serious unmet medical needs, with an initial focus on muscle wasting conditions and oncology. Its product candidates are biologics targeting myostatin and activin, members of the transforming growth factor-beta, protein superfamily, which play roles in the growth and maintenance of muscle and many other body tissues. The company's product candidate includes PINTA 745, STM 434 and ATA 842. Atara Biotherapeutics was founded by Isaac E. Ciechanover on August 22, 2012 and is headquartered in Brisbane, CA.

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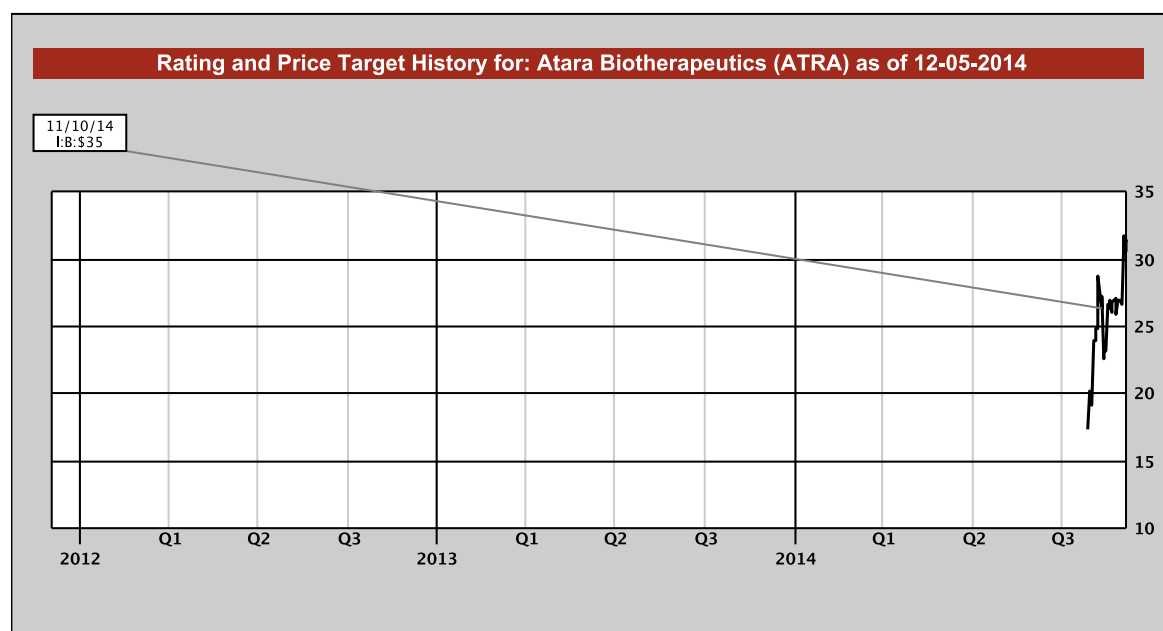
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			Count	Percent
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