

COMPANY NOTE

Company Update

USA | Healthcare | Biotechnology

October 22, 2015

Jefferies

Atara Biotherapeutics (ATRA) '745 & 'Off-the-Shelf' T-cell Programs Highlighted at Investor Day

Key Takeaway

In our view, there were 3 key takeaways from ATRA's investor event: 1) '745 is a 'pipeline in a drug' with potential applications across multiple indications; 2) near-term ph 2 data readout from '745 in PEW will elucidate path forward in this and other indications; & 3) ATRA is well positioned to lead the 'off-the-shelf' T-cell space with expertise/technology from both MSK and new partner QIMR.

Myostatin inhibition, such as with '745, has the potential for positive effects across multiple clinical indications. The effects of myostatin inhibition on increasing lean muscle mass is well-known, however, other biological effects were highlighted during the event. Pre-clinical data suggest that inhibition of myostatin can result in a decrease in inflammation, and fibrosis in a chronic kidney disease (CKD) model, and additionally has positive metabolic effects such as increases in insulin sensitivity and brown adipose tissue in a diabetes model. Together, these characteristics make '745 a potentially ideal therapy for not only protein energy wasting (PEW) in CKD patients, but other indications, such as hemodialysis or NASH patients with type 2 diabetes. To this end, ATRA is planning to initiate a ph 1/2 trial studying glucose metabolism in pre-diabetic or diabetic patients in 1H16.

Near-term (Dec) topline ph 2 results for '745 in PEW will shed light on not only this indication but others as well. Mgmt highlighted that the study was powered based upon the effect size seen in the prior prostate cancer trial in increasing lean body mass (2% increase after 4 weeks of treatment). However, mgmt/KOLs believe that results from all other endpoints would be informative: increases in lean body mass & physical function would support development in PEW/cachexia; positive metabolic effects would support further study in subsets of the type 2 diabetes population; and decreases in inflammation could support an outcomes-based study in PEW.

QIMR deal complements current MSK technology and allows for expansion of both EBV-CTL and CMV-CTL into new indications. With the addition of the clinical-stage QIMR technology and know-how, ATRA can now expand their CTL programs to target specific viral antigens in expanded indications, such as glioblastoma and multiple sclerosis. We believe that ATRA is now well positioned to lead the 'off-the-shelf' T-cell space, particularly in virally associated antigens.

Valuation/Risks

Our \$68 PT is DCF-based. Risks: clinical, regulatory, commercial, financial.

USD	Prev.	2013A	Prev.	2014A	Prev.	2015E	Prev.	2016E
Rev. (MM)	--	0.0	--	0.0	--	0.0	--	0.0
EPS								
Mar	--	--	--	(1.02)	--	(0.38)A	--	--
Jun	--	--	--	(0.33)	--	(0.55)A	--	--
Sep	--	--	--	(0.31)	--	(0.62)	--	--
Dec	--	--	--	(0.53)	--	(0.62)	--	--
FY Dec	--	(1.28)	--	(1.42)	--	(2.12)	--	(2.47)
FY P/E		NM		NM		NM		NM

BUY

Price target \$68.00

Price \$24.99

Financial Summary

Net Debt (MM):	\$0.0
Cash & ST Invest. (MM):	\$347.1

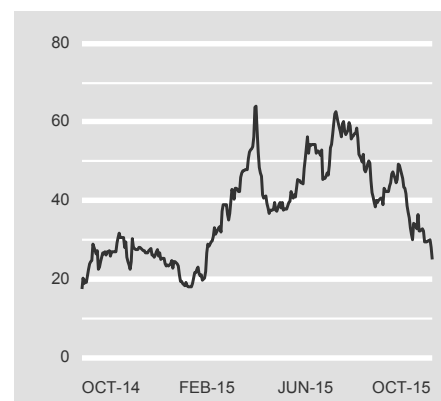
Market Data

52 Week Range:	\$65.56 - \$12.61
Total Entprs. Value (MM):	\$619.8
Market Cap. (MM):	\$619.8
Insider Ownership:	66.3%
Institutional Ownership:	8.7%
Shares Out. (MM):	24.8
Float (MM):	16.2
Avg. Daily Vol.:	315,046

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Price Performance



Upcoming catalysts for ATRA

Drug	Indication	Phase	Catalyst	2015		2016			
				2H15		1H16		2H16	
				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						
EBV T-cell	EBV-assoc. cancers	2	Potential data update						
CMV T-cell	CMV infection in immunocompromised	2	Potential data update						
WT1 T-cell	Various solid tumors	1	Potential data update						

Source: Jefferies estimates, company data

ATRA Income Statement: 2013A-2020E (\$M)

(In Millions, except per share data)	2013A	2014A	1Q15A	2Q15A	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E
Revenues												
PINTA 745 WW Sales (prob. adjusted)											101.6	210.6
STM 434 WW Sales (prob. adjusted)											-	15.8
EBV-CTL WW sales (prob. adjusted)											34.6	72.6
CMV-CTL WW sales (prob. adjusted)											13.5	28.3
Total Revenues	-	-	-	-	-	-	-	-	-	-	149.7	327.3
Operating Expenses												
COGS											22.5	49.1
% 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	15.4	5.8	11.5	11.5	11.5	40.3	35.0	50.0	65.0	80.0	90.0
% of sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	53%	27%
SG&A	3.8	12.7	3.5	3.6	5.5	5.5	18.1	25.0	30.0	45.0	60.0	75.0
% of sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	40%	23%
Milestone payments								8.0		10.0	20.0	
Total Operating expenses	8.6	28.2	9.3	15.1	17.0	17.0	58.4	68.0	80.0	120.0	182.5	214.1
Net Operating Income (Expense)	(8.6)	(28.2)	(9.3)	(15.1)	(17.0)	(17.0)	(58.4)	(68.0)	(80.0)	(120.0)	(32.8)	113.2
Other Income (Expense)												
Interest income	0.0	0.1	0.2	0.1	0.1	0.1	0.6	0.6	0.6	0.6	0.6	0.6
Total Other Income (Expense)	0.0	0.1	0.2	0.1	0.1	0.1	0.6	0.6	0.6	0.6	0.6	0.6
Income before taxes	(8.6)	(28.0)	(9.1)	(15.0)	(16.9)	(16.9)	(57.9)	(67.4)	(79.4)	(119.4)	(32.2)	113.8
Taxes	0.2	(0.0)	0.0	-	-	-	-	-	-	-	-	-
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net Income (Loss)	(8.8)	(28.0)	(9.1)	(15.0)	(16.9)	(16.9)	(57.9)	(67.4)	(79.4)	(119.4)	(32.2)	113.8
Basic EPS	(1.28)	(1.42)	(0.38)	(0.55)	(0.62)	(0.62)	(2.12)	(2.47)	(2.64)	(3.62)	(0.98)	3.45
Diluted EPS	(1.28)	(1.35)	(0.37)	(0.53)	(0.60)	(0.60)	(2.04)	(2.38)	(2.55)	(3.51)	(0.95)	3.34
Shares outstanding (Basic)	6.9	19.7	23.8	27.3	27.3	27.3	27.3	27.3	30.1	33.0	33.0	33.0
Shares outstanding (Diluted)	6.9	20.7	24.8	28.3	28.3	28.3	28.3	28.3	31.2	34.0	34.0	34.0

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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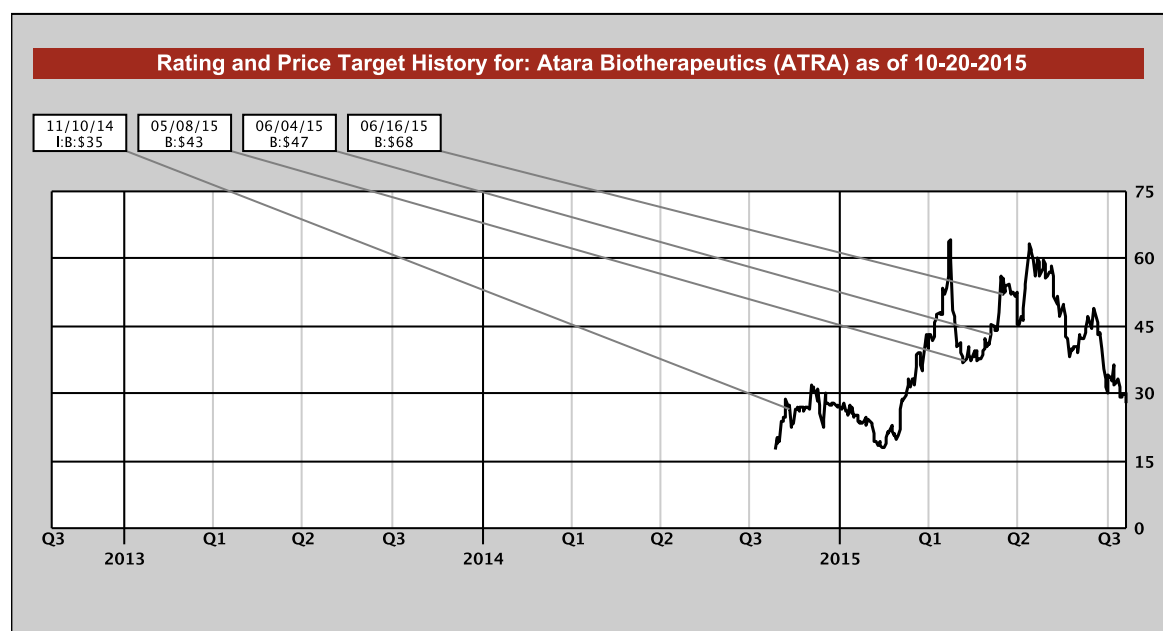
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			Count	Percent
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