

## COMPANY NOTE

Estimate Change

USA | Healthcare | Biotechnology

August 6, 2015

# Jefferies

## Atara Biotherapeutics (ATRA) Reports 2Q: On Track w/ '745 Data & CTL Programs Medium-to-Near-Term

### Key Takeaway

**Ongoing ph 2 trial of '745 in ESRD pts suffering from PEW is on track for topline data to be reported by YE15. Post-recent positive discussions with the FDA, mgmt is designing trials for EBV-CTL in rituximab refractory blood cancers following HSC transplants (likely under a SPA) and solid organ transplants. Additional updates from the other CTL programs are expected by YE15, including the potential for data presentations at appropriate scientific meetings.**

**'745 on track for topline data by YE15.** As of end of 2Q15, 34 of 48 planned end stage renal disease (ESRD) patients suffering from protein energy wasting (PEW) have been enrolled, and mgmt reiterated prior guidance for topline data by YE. The double-blind placebo controlled ph 2 trial is evaluating 3 dosing regimens of '745 (3 mg/kg weekly, n=8; 3mg/kg loading dose followed by 1 mg/kg maint. dose, n ~20; 6mg/kg loading dose followed by 2 mg/kg maint. dose, n ~20) on muscle size and function (stair climbing power and 6MWT) after 3 months of treatment. We estimate peak WW adjusted sales of ~\$870M for '745.

**Recently in-licensed T-cell programs from MSK are up and running with multiple updates expected medium-to-near term.** Shortly after in-licensing these programs, ATRA met with the FDA to discuss the regulatory path for the EBV-CTL program in rituximab refractory blood cancers following both hematopoietic stem cell (HSC) transplants and solid organ transplants (SOT). After these discussions, mgmt is designing potentially pivotal trials for both indications, and expects to submit a special protocol assessment (SPA) for the post-HSC patients, for which it has breakthrough designation. More details regarding these trials is expected after feedback is received from the FDA. Collaborator MSK has submitted several abstracts for upcoming scientific/medical meetings from which we may see updated from all 3 programs by YE15. We estimate peak-adjusted WW sales for EBV-CTL of ~\$224M, ~\$88M for CMV-CTL and currently do not assign value to the WT1-CTL program.

**Financial update.** ATRA reported a net loss of \$14.9M & ended 2Q15 with pro-forma cash of ~\$347.1M post their recent secondary that raised ~\$194M.

### Valuation/Risks

Our \$68 PT is DCF-based. Risks include clinical, regulatory, competitive, commercial.

USD	Prev.	2013A	Prev.	2014A	Prev.	2015E	Prev.	2016E
Rev. (MM)	--	0.0	--	0.0	--	0.0	--	0.0
<b>EPS</b>								
Mar	--	--	--	(1.02)	--	(0.38)A	--	--
Jun	--	--	--	(0.33)	(0.44)	(0.55)A	--	--
Sep	--	--	--	(0.31)	(0.46)	(0.62)	--	--
Dec	--	--	--	(0.53)	(0.46)	(0.62)	--	--
FY Dec	--	(1.28)	--	(1.42)	(1.75)	(2.12)	(2.82)	(2.47)
FY P/E		NM		NM		NM		NM

**BUY**

Price target \$68.00

Price \$58.42

### Financial Summary

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

### Market Data

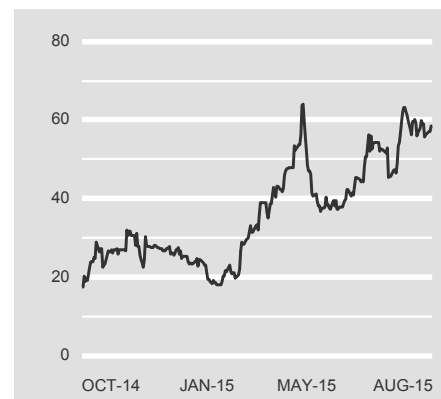
52 Week Range:	\$65.56 - \$9.66
Total Entprs. Value (MM):	\$1,448.8
Market Cap. (MM):	\$1,448.8
Insider Ownership:	66.3%
Institutional Ownership:	8.7%
Shares Out. (MM):	24.8
Float (MM):	15.3
Avg. Daily Vol.:	321,390

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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
<b>Revenues</b>												
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
<b>Total Revenues</b>	-	-	-	-	-	-	-	-	-	-	<b>149.7</b>	<b>327.3</b>
<b>Operating Expenses</b>												
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	
<b>Total Operating expenses</b>	<b>8.6</b>	<b>28.2</b>	<b>9.3</b>	<b>15.1</b>	<b>17.0</b>	<b>17.0</b>	<b>58.4</b>	<b>68.0</b>	<b>80.0</b>	<b>120.0</b>	<b>182.5</b>	<b>214.1</b>
<b>Net Operating Income (Expense)</b>	<b>(8.6)</b>	<b>(28.2)</b>	<b>(9.3)</b>	<b>(15.1)</b>	<b>(17.0)</b>	<b>(17.0)</b>	<b>(58.4)</b>	<b>(68.0)</b>	<b>(80.0)</b>	<b>(120.0)</b>	<b>(32.8)</b>	<b>113.2</b>
<b>Other Income (Expense)</b>												
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
<b>Total Other Income (Expense)</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
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%
<b>Net Income (Loss)</b>	<b>(8.8)</b>	<b>(28.0)</b>	<b>(9.1)</b>	<b>(15.0)</b>	<b>(16.9)</b>	<b>(16.9)</b>	<b>(57.9)</b>	<b>(67.4)</b>	<b>(79.4)</b>	<b>(119.4)</b>	<b>(32.2)</b>	<b>113.8</b>
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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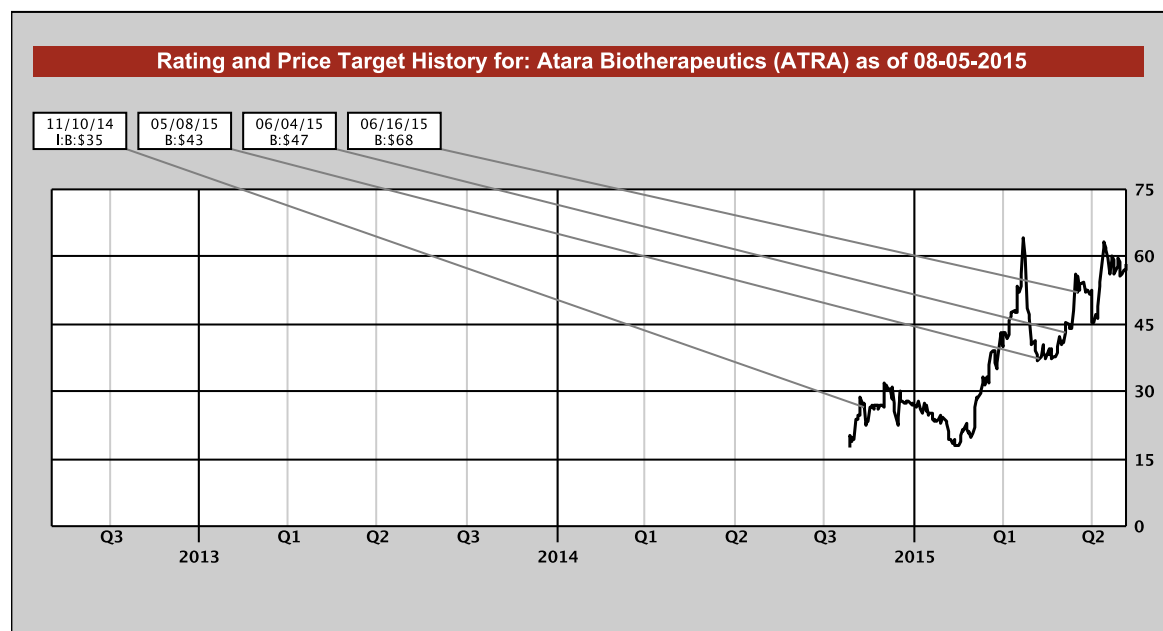
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			Count	Percent
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