

October 23, 2015

Atara Biotherapeutics, Inc.

R&D Day Reiterates Differentiated Company Profile and Attractive Stock

On Wednesday, October 21, Atara hosted an investor event focused on the company's two proprietary platform technologies and clinical development plans with lead compounds. Our conclusions from the event further support our Outperform rating and belief that the company is significantly undervalued at current prices. Atara has roughly \$350 million in cash, implying an enterprise value of less than \$400 million.

Below, we offer detailed thoughts on Atara's differentiated profile and reasons for potential upside to shares.

- Clinical development plans and discussions with key opinion leader highlight large potential market opportunity for PINTA 745.** Based on the proof-of-concept data with PINTA 745 in a previous Phase I trial, continued demonstration of efficacy in preclinical models of chronic kidney disease and high fat diet, and scientific rationale, we are confident in PINTA 745's biological activity. Our focus therefore remains on the translation of this biological activity into clinical benefit in patients with end-stage renal disease (ESRD) and protein-energy wasting (PEW). During the R&D day, conversations with Dr. William Mitch from the division of nephrology at Baylor College of Medicine highlighted the significant unmet medical need in patients with ESRD and PEW and how inhibition of myostatin by PINTA 745 has the potential to provide multiple benefits to patients. The structure of the ongoing Phase II trial allows Atara to explore a variety of secondary endpoints evaluating functional and clinical improvements in the patients. The results of the Phase II trial, which are expected in December, will help direct the future clinical direction of PINTA 745 in patients with PEW. We believe the endpoints were designed to fully evaluate the potential of PINTA 745, and improvements over placebo and/or dose-response observations in any of the endpoints will provide an appropriate target for future clinical directions. Ultimately, we believe that the strong scientific rationale and data to date in combination with the large potential market opportunity make PINTA 745 a very attractive asset with a risk/reward ratio skewed to the upside.
- Clinically validated allogenic cytotoxic T-lymphocytes (CTL) platform is de-risked by robust Phase II data and breakthrough therapy designation.** Atara's allogenic or "off-the-shelf" T-cell platform was exclusively licensed from Memorial Sloan Kettering (MSK) with impressive clinical data from multiple Phase II trials. The lead indication, post-transplant lymphoproliferative disorder caused by Epstein-Barr virus (EBV-PTLD) and refractory to rituximab therapy, has received breakthrough therapy designation from the FDA given its impressive clinical results and lack of available options for patients. In addition, this EBV-specific therapy has been included in the National Comprehensive Cancer Network (NCCN) guidelines in this disease setting. Based on these impressive results and accolades, we believe EBV-CTLs have a clear path to market with the chance for rapid clinical development, highlighted by the initiation of pivotal trials in the second half of 2016. In conjunction, additional Phase II pilot studies beginning next year will continue to explore the use of Atara's CTLs in new indications, include EBV-associated nasopharyngeal carcinoma and cytomegalovirus (CMV) retinitis, with the chance to expand the potential market opportunities of this platform.

Atara Biotherapeutics is a clinical-stage biotech company focused on leveraging its two proprietary technology platforms to develop therapies for indications that currently lack effective treatment options.

Please refer to important disclosures on pages 3-4. Analyst certification is on page 3.

William Blair or an affiliate 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 a single factor in making an investment decision.

William Blair

John Sonnier +1 312 364 8224
jsonnier@williamblair.com

Matt Phipps, Ph.D. +1 312 364 8602
mhipps@williamblair.com

Andy T. Hsieh, Ph.D. +1 312 364 5051
ahsieh@williamblair.com

Stock Rating: **Outperform**
Company Profile: **Aggressive Growth**

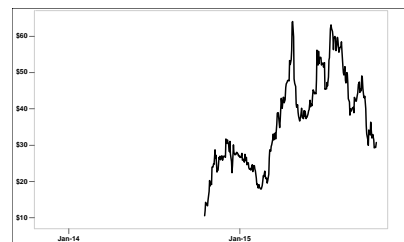
Symbol: ATRA (NASDAQ)
Price: \$24.43 (52-Wk.: \$13-\$66)
Market Value (mil.): \$697
Long-Term EPS Growth Rate:
Dividend/Yield: None
Fiscal Year End: December

	2014A	2015E	2016E
Estimates			
EPS FY	\$-5.62	\$-1.98	\$-3.04
CY		\$-1.98	\$-3.04
Sales (mil.)	0	0	0
Valuation			
FY P/E	NM	NM	NM
CY P/E		NM	NM

Trading Data (FactSet)	
Shares Outstanding (mil.)	29
Float (mil.)	16
Average Daily Volume	361,681

Financial Data (FactSet)	
Book Value Per Share (MRQ)	6.2
Return on Equity (TTM)	-36.5

Two-Year Price Performance Chart



Sources: FactSet, William Blair & Company estimates

- **Collaboration announcement with QIMR Berghofer Medical Research Institute expands potential T-cell therapy indications and adds licensing options.** In conjunction with the R&D day, Atara announced a collaboration with QIMR Berghofer to develop allogenic CTLs directed against EBV and CMV in new indications, such as glioblastoma multiforme and multiple sclerosis. QIMR Berghofer has extensively worked on the use of autologous CTLs directed toward EBV or CMV with ongoing Phase I studies in multiple sclerosis, nasopharyngeal carcinoma, gastric cancer, and glioblastoma multiforme. Successful results in the ongoing Phase I trials will provide proof-of-concept for targeting EBV or CMV in these new indications and significantly expand the addressable market for these therapies. We believe this collaboration is highly synergistic to ongoing studies at Atara and MSK, and provides Atara with additional intellectual property protection around the platform and increased scientific expertise from the clinicians at QIMR Berghofer.
- **Atara's impressive management team has executed at a high level since the company's founding in 2012.** In only a few years, the company has managed to significantly expand its clinical mass and develop clear strategies for delivering novel therapeutics to patients with unmet medical needs. We are highly encouraged by management's decisions to target novel indications with strong scientific basis and successfully acquire additional assets through collaborations with leading academic institutions. Given Atara's multiple clinical paths forward among two platform technologies, strong proof-of-concept data in multiple indications, and impressive management team, we believe the profile of the company is differentiated from many of its peers and offers a very attractive investment at current levels.

Valuation

Atara shares are trading at \$24.43 with an estimated enterprise value of less than \$400 million given its strong cash position. Our Outperform rating is based on our view that Atara's two platforms are undervalued by the Street given the multiple product candidates with proof-of-concept data and broad optionality in potential indications. With about \$350 million in cash, Atara is well capitalized to achieve multiple milestones in the advancement of its R&D effort into 2018.

Risks

We believe that Atara is affected by many of the same risks as other developmental-stage biotechnology companies. We believe that most developmental biotechnology companies, including Atara, share four broad categories of investment risk: clinical, regulatory, capital, and competitive. Atara's compounds are all investigational and in ongoing clinical trials, where significant risk remains. Setbacks or failures in these clinical trials may adversely affect Atara shares. In addition, there is no guarantee that positive clinical trial data will translate into regulatory approvals or commercial success for Atara. Lastly, Atara is operating at a loss and we expect it to continue to do so for the near future. Additional capital may therefore be needed to fund future operations.

IMPORTANT DISCLOSURES

William Blair or an affiliate was a manager or co-manager of a public offering of equity securities for Atara Biotherapeutics, Inc. within the prior 12 months.

William Blair or an affiliate is a market maker in the security of Atara Biotherapeutics, Inc.

William Blair or an affiliate expects to receive or intends to seek compensation for investment banking services from Atara Biotherapeutics, Inc. within the next three months.

William Blair or an affiliate received compensation for investment banking services from Atara Biotherapeutics, Inc. within the last 12 months. Atara Biotherapeutics, Inc. is or was, within the last 12 months, an investment banking client of William Blair & Company and/or one or more of its affiliates.

Additional information is available upon request.

This report is available in electronic form to registered users via R*Docs™ at www.rdocs.com or www.williamblair.com.

Please contact us at +1 800 621 0687 or consult williamblair.com/Research-and-Insights/Equity-Research/Coverage.aspx for all disclosures.

John Sonnier attests that 1) all of the views expressed in this research report accurately reflect his/her personal views about any and all of the securities and companies covered by this report, and 2) no part of his/her compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed by him/her in this report. We seek to update our research as appropriate, but various regulations may prohibit us from doing so. Other than certain periodical industry reports, the majority of reports are published at irregular intervals as deemed appropriate by the analyst.

DOW JONES: 17,489.16

S&P 500: 2,052.51

NASDAQ: 4,920.05



Current Rating Distribution (as of 09/30/15)

Coverage Universe	Percent	Inv. Banking Relationships*	Percent
Outperform (Buy)	67	Outperform (Buy)	16
Market Perform (Hold)	31	Market Perform (Hold)	3
Underperform (Sell)	2	Underperform (Sell)	0

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

The compensation of the research analyst is based on a variety of factors, including performance of his or her stock recommendations; contributions to all of the firm's departments, including asset management, corporate finance, institutional sales, and retail brokerage; firm profitability; and competitive factors.

OTHER IMPORTANT DISCLOSURES

Stock ratings, price targets, and valuation methodologies: William Blair & Company, L.L.C. uses a three-point system to rate stocks. Individual ratings and price targets (where used) reflect the expected performance of the stock relative to the broader market (generally the S&P 500, unless otherwise indicated) over the next 12 months. The assessment of expected performance is a function of near-, intermediate-, and long-term company fundamentals, industry outlook, confidence in earnings estimates, valuation (and our valuation methodology), and other factors. Outperform (O) – stock expected to outperform the broader market over the next 12 months; Market Perform (M) – stock expected to perform approximately in line with the broader market over the next 12 months; Underperform (U) – stock expected to underperform the broader market over the next 12 months; not rated (NR) – the stock is not currently rated. The valuation methodologies used to determine price targets (where used) include (but are not limited to) price-to-earnings multiple (P/E), relative P/E (compared with the relevant market), P/E-to-growth-rate (PEG) ratio, market capitalization/revenue multiple, enterprise value/EBITDA ratio, discounted cash flow, and others.

Company Profile: The William Blair research philosophy is focused on quality growth companies. Growth companies by their nature tend to be more volatile than the overall stock market. Company profile is a fundamental assessment, over a longer-term horizon, of the business risk of the company relative to the broader William Blair universe. Factors assessed include: 1) durability and strength of franchise (management strength and track record, market leadership, distinctive capabilities); 2) financial profile (earnings growth rate/consistency, cash flow generation, return on investment, balance sheet, accounting); 3) other factors such as sector or industry conditions, economic environment, confidence in long-term growth prospects, etc. Established Growth (E) – Fundamental risk is lower relative to the broader William Blair universe; Core Growth (C) – Fundamental risk is approximately in line with the broader William Blair universe; Aggressive Growth (A) – Fundamental risk is higher relative to the broader William Blair universe.

The ratings, price targets (where used), valuation methodologies, and company profile assessments reflect the opinion of the individual analyst and are subject to change at any time.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies—to our clients and our trading desks—that are contrary to opinions expressed in this research. Certain outstanding reports may contain discussions or investment opinions relating to securities, financial instruments and/or issuers that are no longer current. Always refer to the most recent report on a company or issuer before making an investment decision. Our asset management and trading desks may make investment decisions that are inconsistent with recommendations or views expressed in this report. We will from time to time have long or short positions in, act as principal in, and buy or sell the securities referred to in this report. Our research is disseminated primarily electronically, and in some instances in printed form. Electronic research is simultaneously available to all clients. This research is for our clients only. No part of this material may be copied or duplicated in any form by any means or redistributed without the prior written consent of William Blair & Company, L.L.C.

This is not in any sense a solicitation or offer of the purchase or sale of securities. The factual statements herein have been taken from sources we believe to be reliable, but such statements are made without any representation as to accuracy or completeness or otherwise. Opinions expressed are our own unless otherwise stated. Prices shown are approximate.

This material is distributed in the United Kingdom and the European Economic Area (EEA) by William Blair International, Ltd., authorized and regulated by the Financial Conduct Authority (FCA), and is only directed at and is only made available to persons falling within articles 19, 38, 47, and 49 of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005 (all such persons being referred to as “relevant persons”). This document is intended for persons regarded as professional investors (or equivalent) and is not to be distributed to or passed onto any “retail clients.” No persons other than persons to whom this document is directed should rely on it or its contents or use it as the basis to make an investment decision.

“William Blair” and “R*Docs” are registered trademarks of William Blair & Company, L.L.C. Copyright 2015, William Blair & Company, L.L.C. All rights reserved.