

COMPANY NOTE

Estimate Change

USA | Healthcare | Biotechnology

February 26, 2015

Jefferies

Atara Biotherapeutics (ATRA) Reports 4Q: Timelines maintained for PINTA 745 and STM 434 clinical programs

Key Takeaway

ATRA reported 4Q14 results after the close and reiterated that all clinical programs remain on track. Multiple catalysts are expected in 2015, including: preliminary data from the ongoing phase 2 trial of PINTA 745 to treat protein energy wasting (PEW) in ESRD patients by YE15, potential STM 434 phase 1 data in ovarian and other solid tumors, and data updates from collaborator MSK's 'off-the-shelf' T-cell therapies.

Jefferies was a co-manager on Atara's secondary offering on February 12, 2015.

PINTA 745 phase 2 trial ongoing with preliminary data expected by YE15. PINTA 745 is enrolling a phase 2 study to treat PEW in end-stage renal disease (ESRD) patients on dialysis & ATRA has designed the trial to obtain insight into other indications where '745 could be developed including orthopedic indications, inflammatory conditions, age related sarcopenia, & cancer cachexia. We forecast ~\$696M in worldwide peak adjusted sales for '745 in this indication.

STM 434 phase 1 trial ongoing; timelines maintained. '434 is in a phase 1 study for the treatment of ovarian & other solid tumors with data expected in 1H16 although we believe it is possible some data could be presented in 2015. We estimate ~\$94M in worldwide peak adjusted sales for '434 in recurrent ovarian cancer. '434 monotherapy data in the clear cell and/or granulosa cell sub-types of ovarian cancer in the phase 1 study could potentially lead to an accelerated path to approval.

Allogenic T-cell programs developed by partner Memorial Sloan Kettering (MSK) should have multiple data presentations in 2015. ATRA has the exclusive option to in-license 'off-the-shelf' T-cell directed therapies to Epstein Barr Virus (EBV), Cytomegalovirus (CMV), and Wilms Tumor 1 (WT1) for the treatment of certain cancers & persistent viral infections. The EBV & CMV directed T cell programs are in phase 2 trials while the WT1 targeted T cell program is in a phase 1 trial. We expect data updates from these programs at various scientific conferences throughout the year. We expect MSK to obtain agreement with the FDA on a plan for late stage development of these programs with the initial focus on the EBV targeted T cell program.

Financial/Model update. ATRA reported a net loss of \$10.5M & ended 2014 with \$104.1M in cash, which excludes the \$69.4M raised from a secondary in Feb (pro-forma cash of ~\$165M).

Valuation/Risks

Our \$35 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
EPS								
Mar	--	--	--	(1.02)	--	(0.38)	--	--
Jun	--	--	--	(0.33)	--	(0.42)	--	--
Sep	--	--	--	(0.31)	--	(0.44)	--	--
Dec	--	--	(0.31)	(0.53)	--	(0.44)	--	--
FY Dec	--	(1.28)	(1.16)	(1.42)	(1.48)	(1.68)	(2.00)	(2.43)
FY P/E		NM		NM		NM		NM

BUY

Price target \$35.00

Price \$20.96

Financial Summary

Net Debt (MM):	\$0.0
Cash & ST Invest. (MM):	\$164.9

Market Data

52 Week Range:	\$35.45 - \$9.66
Total Entprs. Value (MM):	\$519.8
Market Cap. (MM):	\$519.8
Insider Ownership:	66.3%
Institutional Ownership:	8.7%
Shares Out. (MM):	24.8
Float (MM):	8.8
Avg. Daily Vol.:	111,412

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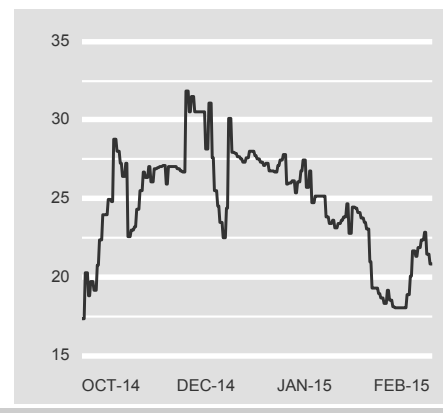
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Price Performance



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	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: 2014A-2020E (\$M)

(In Millions, except per share data)	1Q14A	2Q14A	3Q14A	4Q14A	2014A	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E
Revenues															
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)														-	-
Total Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	81.3	201.1
Operating Expenses															
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	N/A	N/A	N/A	15%	15%
R&D	3.0	3.2	4.2	5.0	15.4	5.0	5.0	5.0	5.0	20.2	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	N/A	N/A	N/A	80%	35%
SG&A	4.1	1.4	1.7	5.5	12.7	4.0	5.0	5.5	5.5	20.0	25.0	30.0	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	N/A	N/A	N/A	62%	30%
Milestone payments											8.0		10.0	20.0	
Total Operating expenses	7.1	4.5	5.9	10.6	28.2	9.0	10.0	10.5	10.5	40.2	58.0	70.0	100.0	147.2	160.2
Net Operating Income (Expense)	(7.1)	(4.5)	(5.9)	(10.6)	(28.2)	(9.0)	(10.0)	(10.5)	(10.5)	(40.2)	(58.0)	(70.0)	(100.0)	(65.9)	40.9
Other Income (Expense)															
Interest income	0.0	-	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Total Other Income (Expense)	0.0	-	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Income before taxes	(7.0)	(4.5)	(5.9)	(10.5)	(28.0)	(9.0)	(10.0)	(10.5)	(10.5)	(40.1)	(57.9)	(69.9)	(99.9)	(65.8)	41.1
Taxes	(0.0)	-	-	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net Income (Loss)	(7.0)	(4.5)	(5.9)	(10.5)	(28.0)	(9.0)	(10.0)	(10.5)	(10.5)	(40.1)	(57.9)	(69.9)	(99.9)	(65.8)	41.1
Basic EPS	(1.02)	(0.33)	(0.31)	(0.53)	(1.42)	(0.38)	(0.42)	(0.44)	(0.44)	(1.68)	(2.43)	(2.62)	(3.38)	(2.23)	1.39
Diluted EPS	(1.02)	(0.33)	(0.29)	(0.51)	(1.35)	(0.36)	(0.40)	(0.42)	(0.42)	(1.61)	(2.33)	(2.52)	(3.27)	(2.15)	1.34
Shares outstanding (Basic)	6.9	13.7	19.4	19.7	19.7	23.8	23.8	23.8	23.8	23.8	23.8	26.7	29.5	29.5	29.5
Shares outstanding (Diluted)	6.9	13.7	20.4	20.7	20.7	24.8	24.8	24.8	24.8	24.8	24.8	27.7	30.6	30.6	30.6

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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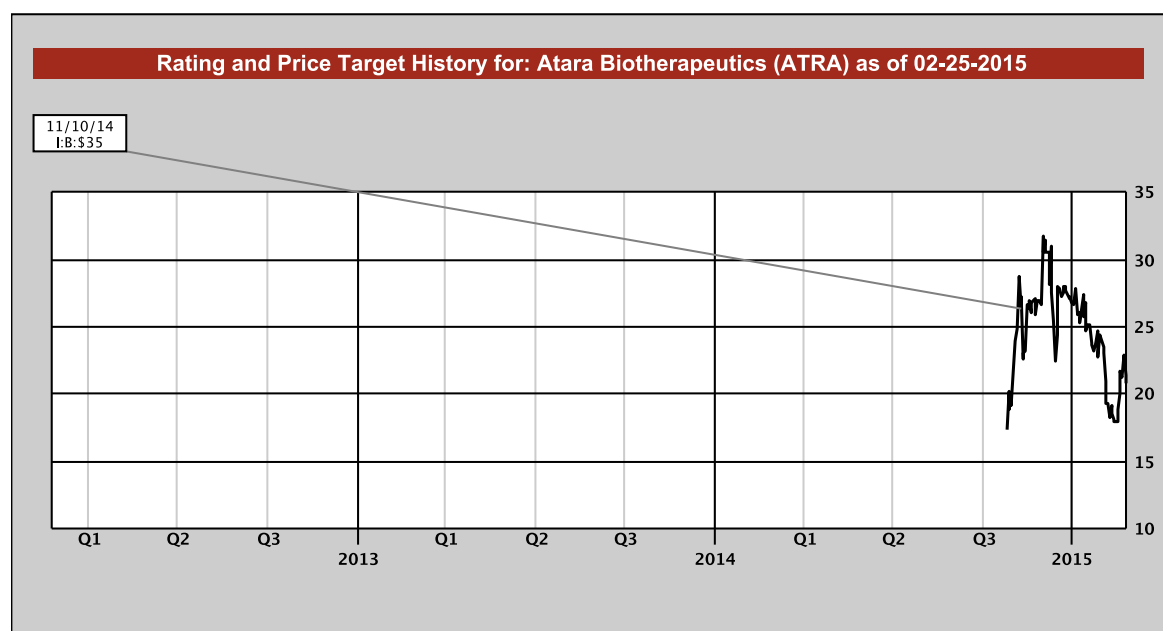
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