

# Cubist Pharmaceuticals: 4Q/FY2009 Earnings Call



The Shape of Cures to Come™

January 21, 2010

# Forward Looking Statement and Non-GAAP Financial Measure Disclosure

This presentation includes forward-looking statements relating to, among other things, projected revenues, company financial performance, the ANDA litigation with Teva, our intellectual property protecting CUBICIN, our products and pipeline, our business development efforts, and our commercialization and manufacturing of Cubicin. These statements are neither promises nor guarantees and are subject to a variety of risks and uncertainties. There are a number of important factors that could cause actual results to differ materially from those projected or suggested in any of these forward-looking statements. These and other factors are contained in the Company's filings with the SEC, including our most recent Quarterly Report on Form 10-Q. Cubist is providing this information as of the date of this presentation and does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

Within this presentation, in order to provide greater transparency regarding Cubist's operating performance, we refer to certain non-GAAP financial measures that involve adjustments to GAAP figures. Any non-GAAP financial measures presented should not be considered an alternative to measures required by GAAP and are unlikely to be comparable to non-GAAP information provided by other companies. Any non-GAAP financial measures presented are reconciled to the most directly comparable GAAP financial measures in a table included in this presentation. A further discussion of why we feel these measures are important to investors and the reasons for which our management uses these measures is included in our news release issued on January 21, 2010.

# Statements of Income

## (Unaudited)

In thousands, except share and per share data

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008 (as adjusted)	2009	2008 (as adjusted)
<b>Revenues:</b>				
U.S. product revenues, net	\$ 147,792	\$ 120,058	\$ 523,972	\$ 414,681
International product revenues	4,882	2,167	13,759	7,400
Service revenues	13,500	8,033	22,550	9,451
Other revenues	547	897	1,863	2,109
Total revenues, net	<u>\$ 166,721</u>	<u>\$ 131,155</u>	<u>\$ 562,144</u>	<u>\$ 433,641</u>
<b>Costs and expenses:</b>				
Cost of product revenues	33,560	24,808	116,889	90,381
Research and development	52,135	30,484	170,575	126,670
Sales and marketing	22,182	20,604	82,202	84,997
General and administrative	18,272	9,409	54,718	40,704
Total costs and expenses	<u>126,149</u>	<u>85,305</u>	<u>424,384</u>	<u>342,752</u>
Operating income	<u>40,572</u>	<u>45,850</u>	<u>137,760</u>	<u>90,889</u>
Other income (expense), net	(5,365)	(51,906)	(17,857)	(61,369)
Income (loss) before income taxes	<u>35,207</u>	<u>(6,056)</u>	<u>119,903</u>	<u>29,520</u>
Provision (benefit) for income taxes	12,538	(100,525)	40,303	(98,372)
Net income	<u>\$ 22,669</u>	<u>\$ 94,469</u>	<u>\$ 79,600</u>	<u>\$ 127,892</u>
Basic net income per common share	\$ 0.39	\$ 1.65	\$ 1.38	\$ 2.26
Diluted net income per common share	\$ 0.38 <sup>1</sup>	\$ 1.43 <sup>1</sup>	\$ 1.36 <sup>1</sup>	\$ 2.07 <sup>2</sup>
<b>Shares used in calculating:</b>				
Basic net income per common share	57,961,354	57,202,892	57,745,724	56,645,962
Diluted net income per common share	68,559,231	68,320,590	68,382,230	67,955,061

<sup>1</sup> Includes add back of interest expense, debt issuance costs and debt discount amortization on 2.25% notes to income, net of tax effect

<sup>2</sup> Includes add back of interest expense, debt issuance costs, debt discount amortization and net loss on repurchase of 2.25% notes to income, net of tax effect

On December 16, 2009, Cubist acquired Calixa Therapeutics Inc., which thereby became a wholly-owned subsidiary of Cubist. The cash paid upon closing of \$100.0 million and the fair value of contingent consideration was allocated to identifiable net assets, primarily in-process research and development assets, and certain transaction-related charges.

The Company is currently in process of finalizing its purchase price accounting, including the assets and liabilities, related to the acquisition of Calixa. As a result, the financial statements presented within this release are subject to change.

# 4Q/FY09 Calculation of Diluted EPS

## GAAP (Unaudited)

(In thousands, except share and per share data)

	<u>Income Available</u>	<u>Common Shares</u>	<u>Per Share</u>
<b>Basic EPS</b>	\$ 22,669	57,961,354	\$ 0.39
<b>Plus impact of assumed conversions</b>			
Options	-	848,447 A	\$ 0.39
2.25% Convertible Subordinated Notes	\$ 3,182 B	9,749,430 C	\$ 0.38
<b>Diluted EPS</b>	\$ 25,851	68,559,231	\$ 0.38

## Non-GAAP (Unaudited)

(In thousands, except share and per share data)

	<u>Income Available</u>	<u>Common Shares</u>	<u>Per Share</u>
<b>NON-GAAP Income</b>	\$ 45,162	57,961,354	\$ 0.78
<b>Plus impact of assumed conversions</b>			
Options	-	848,447 A	\$ 0.77
2.25% Convertible Subordinated Notes	\$ 1,145 D	9,749,430 C	\$ 0.68
<b>Non-GAAP Diluted EPS</b>	\$ 46,307	68,559,231	\$ 0.68

<sup>A</sup> Number of shares calculated in accordance with GAAP

<sup>B</sup> Add back of interest expense, debt issuance costs and debt discount amortization on 2.25% notes to income, net of tax effect

<sup>C</sup> Shares issued on full conversion

<sup>D</sup> Add back of interest expense and debt issuance costs on 2.25% notes to income, net of tax effect

On December 16, 2009, Cubist acquired Calixa Therapeutics Inc., which thereby became a wholly-owned subsidiary of Cubist. The cash paid upon closing of \$100.0 million and the fair value of contingent consideration was allocated to identifiable net assets, primarily in-process research and development assets, and certain transaction-related charges. The Company is currently in process of finalizing its purchase price accounting, including the assets and liabilities, related to the acquisition of Calixa. As a result, the financial statements presented within this release are subject to change.

# Statements of Income

## *Non-GAAP (Unaudited)*

In thousands, except share and per share data

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
GAAP net income	\$ 22,669	\$ 94,469	\$ 79,600	\$ 127,892
Non-cash stock-based compensation expense	4,165	2,967	14,359	11,831
Non-cash debt discount amortization	3,402	3,129	13,192	12,547
Expenses related to the acquisition of Calixa	7,128	-	7,128	-
Upfront payments related to external collaborations	5,000	-	25,000	17,500
Non-cash tax expense	10,701	-	34,121	-
Non-cash loss on disposal of assets	-	-	-	2,323
Add back of tax benefit	-	(102,247)	-	(102,247)
Other-than-temporary impairment of auction rate securities	-	49,178	-	49,178
Income tax effect of Non-GAAP adjustments	(7,903)	-	(21,962)	-
Non-GAAP proforma net income	<u>\$ 45,162</u>	<u>\$ 47,496</u>	<u>\$ 151,438</u>	<u>\$ 119,024</u>
Non-GAAP basic net income per common share	\$ 0.78	\$ 0.83	\$ 2.62	\$ 2.10
Non-GAAP diluted net income per common share	\$ 0.68 <sup>1</sup>	\$ 0.71 <sup>1</sup>	\$ 2.29 <sup>1</sup>	\$ 1.82 <sup>2</sup>
Shares used in calculating:				
Non-GAAP basic net income per common share	57,961,354	57,202,892	57,745,724	56,645,962
Non-GAAP diluted net income per common share	68,559,231	68,320,590	68,382,230	67,955,061

<sup>1</sup> Includes add back of interest expense, debt issuance costs on 2.25% notes to income, net of tax effect

<sup>2</sup> Includes add back of interest expense, debt issuance costs and net loss on repurchase of 2.25% notes to income, net of tax effect

On December 16, 2009, Cubist acquired Calixa Therapeutics Inc., which thereby became a wholly-owned subsidiary of Cubist. The cash paid upon closing of \$100.0 million and the fair value of contingent consideration was allocated to identifiable net assets, primarily in-process research and development assets, and certain transaction-related charges. The Company is currently in process of finalizing its purchase price accounting, including the assets and liabilities, related to the acquisition of Calixa. As a result, the financial statements presented within this release are subject to change.

## Q4 & FY2009 Revenue Results

(in millions)	Q4 2009	FY 2009	% increase from FY08
CUBICIN US (net)	\$147.8	\$524.0	26%
CUBICIN Int'l	\$4.9	\$13.8	86%
MERREM I.V.	\$13.5	\$22.5	139%

## 2009 Revenue Results & 2010 Guidance

(in millions)	FY 2009	2010 Guidance
CUBICIN US* (net)	\$524.0	\$600 – 620
CUBICIN Int'l	\$13.8	\$20 – 25
MERREM I.V.	\$22.5	~\$7+

\*Assumes no wholesaler stocking

+ Reflects 6 months of anticipated service revenue; may be recognized incrementally across 2010

# CUBICIN-like Opportunity for CXA-201 (1 of 2)

Factor	2003
Growing MDR pathogen	MRSA; Gram-positive bacteria
Standard of care	vancomycin
New, rapidly-cidal agent	CUBICIN
NDA, then sNDA	cSSSI, then SAB/IE (in 2006)

# CUBICIN-like Opportunity for CXA-201 (2 of 2)

Factor	2003	Today
Growing MDR pathogen	MRSA; Gram-positive bacteria	<i>Pseudomonas aeruginosa</i> ; Gram-negative bacteria
Standard of care	vancomycin	Zosyn®
New, rapidly-cidal agent	CUBICIN	CXA-201
NDA, then sNDA	cSSSI, then SAB/IE	cUTI & cIAI, then HAP/VAP (expected)

# CXA-101: Highly Differentiated Spectrum vs. Serious Gram-Negative Infections Compared to Leading Agents

- Particularly strong against multi-drug resistant *Pseudomonas aeruginosa*

Agent	<i>Pseudomonas</i> % susceptibility
<b>CXA-101</b>	<b>99*</b>
Cefepime	85
Ceftazidime	82
Imipenem	78
Doripenem	84
Zosyn (Pip/tazo)	75

\* Total of 914 *P. aeruginosa* isolates (2008, US) tested; for CXA-101, % susceptible is based on tentative susceptibility breakpoint of 8 µg/mL, which was also used for ceftazidime

# CXA-201: Broad Gram-Negative Spectrum of Activity

Species (N)	Modeled % Probability of Target Attainment*	
	CXA-101	CXA-201
<i>P. aeruginosa</i> (914)	98.9	99.3
<i>E. coli</i> (721)	95.4	99.4
<i>K. pneumoniae</i> (798)	88.6	92.7
<i>E. cloacae</i> (266)	80.8	88.0
<i>Citrobacter spp.</i> (168)	86.7	95.6
<i>S. marcescans</i> (256)	95.3	98.0
<i>Acinetobacter spp.</i> (238)	54.2	68.5

\* based on Monte-Carlo simulation using free human plasma concentrations with anticipated human therapeutic dose

# 2010 Clinical Pipeline Development

- Targeted Gram-negative infections (CB-182,804)
  - Complete review of Phase 1 SAD and MAD data
  - Plan to make a Go/No-Go Phase 2 decision in 1Q10
- CDAD (CB-183,315)
  - Phase 1 SAD and MAD completed
  - Plan to proceed to Phase 2 in 1H10
  - Key driver for a successful product will be improvements in relapse rate
- CB-500,929 (ecallantide)
  - Closed enrollment of the CONSERV-1 and -2 Phase 2 trials in Dec 2009
  - >450 patients enrolled + earlier P2 patients—provides a robust database for analysis and discussion with the FDA
  - Plan to announce next steps in 2Q

# Executing on Strategy to Build Long-term Shareholder Value

Strategic Goals	Operating Model
Expanding product portfolio	Exercising financial discipline
Optimizing CUBICIN	Focusing on acutely-ill patients

# 2009 Milestones

## Pipeline

- CB-500,929 (ecallantide)
  - ✓ Complete enrollment in CONSERV-1 YE09
    - Enrollment in CONSERV-1 and -2 was closed 12/3/09
- Gram-negative candidate: CB-182,804
  - ✓ Complete Phase 1 studies YE09
- CDAD candidate: CB-183,315
  - ✓ Complete Phase 1 studies and make go/no-go decision YE09
- ALN-RSV: report data from
  - ✓ lung transplant YE09
    - data reported June 2009
    - dose fractionation studies (now being handled by Alnylam)
- ✓ Additional in-licensing or acquisition (late stage) YE09

SAD + MAD Ph 1  
results expected  
1H 2010

## CUBICIN

- ✓ Complete enrollment in PJI Phase 2 and PEDS cSSSI Phase 2 YE09
  - PEDS protocol modified; timeline extends to 2010
- ✓ 5 – 8 international launches YE09
- ✓ Regulatory decision in China on SAB/IE indication 1H09
  - Approval received 3Q09
- ✓ Publication of PE study and SAB/IE outpatient results YE09

# 2010 Cubist Guidance\*

**Total revenue range:\*\*** **\$627 - 652M**

**Gross margin** **77 – 78%**

**Cost of goods sold** **22 – 23%**

**Operating expenses:+**

– **Research and development, including milestone payments** **\$170 – 180M**

– **Sales and marketing** **\$90 – 95M**

– **G & A** **\$59 – 63M**

**Operating income** **\$165 – 184M**

**Other income/(expense)** **~(\$18)M**

**December 31,**

**2009 (Actual)      2010 (Projected)**

**Cash and cash equivalents, short-term and long-term investments** **\$496M** **~\$625M**

**Long-term debt** **\$300M** **\$300M**

\* Does not include impact of any future product, or company acquisitions, or one-time events, or any potential change in fair value for contingent liabilities related to Calixa

\*\* Assumes no wholesaler stocking

+ Expense ranges include around \$15 million for stock-based compensation expenses

# 2010 Expected Milestones

## Pipeline

- Complete enrollment in Phase 2 trial of CXA-101 for cUTI 1H
- Initiate Phase 2 trial of CXA-201 for cIAI 1H
- Initiate Phase 2 trial of CXA-201 for cUTI 2H
- Initiate PK study of CXA-201 for nosocomial pneumonia YE
- Make Phase 2 Go/No-Go decision on CB-182,804 for Gram-neg. 1Q
- Determine next steps for CB-500,929 (ecallantide) program 1H
- Initiate enrollment in Phase 2 trial for CB-183,315 for CDAD YE

## CUBICIN

- Report top-line PJI study data 2H
- Double API manufacturing capacity YE

---

Fourth Quarter/Year End 2009 Earnings Call and  
Webcast  
**Q & A Session**

Please mark your calendars for  
Cubist's 1Q10 Earnings Call and Webcast:

**Thursday, April 15 at 5:00 P.M. ET**