Endocyte, Inc. (ECYT)

Endocyte Looking for Conditional Approval of EC145 and EC20 in Europe

- **ECYT announced that the company will apply for conditional approval in Europe of its EC145 folate-targeted small molecule chemotherapy for ovarian cancer and its companion diagnostic EC20, based on its Phase II data.** Recall that EC145 has demonstrated positive results in ovarian cancer in Phase II studies, and that EC20 can identify patients whose tumors over-express the folate receptor that EC145 targets.
- **We estimate EU revenues beginning in 2013, based on accelerated approval in the region.** Recall that conditional approval in the EU allows access to therapies in areas of high unmet medical need. Recall also that a conditional marketing application is valid for 1 year, renewable, and can be converted to full marketing authorization upon completion of obligatory studies determined by the EMA.
- **Two recent conditional approvals, Arzerra and Votrient, took 14 and 16 months, respectively, from application submission to conditional approval.**
- **Management will update the status and the plan to European registration on the company's May 5th conference call.** Because management's update is coming a month earlier than we had anticipated, there could be upside to our timing of possible conditional EU approval and launch.
- **Reiterate OUTPERFORM rating and $20 price target.** We arrive at our $20 price target by taking the sum of the per share values of US sales and EU royalties in 2015. We value the US opportunity for EC145 in the platinum resistant ovarian cancer setting at $10 which is derived by taking 6x our 2015 sales estimate, discounted at 25% annually. We value the EU opportunity for EC145 in the platinum-resistant ovarian cancer setting at $10 a share, based upon a 6x multiple of EU royalties, discounted 25% annually.
- Risks to our price target include 1) failure of EC145 for PROC in the clinic; and 2) failure to receive marketing approval in the US or the EU for EC145 for PROC.

FYE Dec	2010A	2011E			2012E		
REV	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	$0.0A	$0.0E		--	$0.0E		--
Q2 Jun	0.0A	0.0E		--	0.0E		--
Q3 Sep	0.0A	0.0E		--	0.0E		--
Q4 Dec	0.0A	0.0E		--	0.0E		--
Year*	**$0.0A**	**$0.0E**		**--**	**$0.0E**		**--**
Change	--	--			--		
	2010A	**2011E**			**2012E**		
EPS	**ACTUAL**	**CURR.**	**PREV.**	**CONS.**	**CURR.**	**PREV.**	**CONS.**
Q1 Mar	$0.00A	($0.55)E		--	($0.38)E		--
Q2 Jun	0.00A	(0.35)E		--	(0.43)E		--
Q3 Sep	(1.10)A	(0.36)E		--	(0.38)E	(0.37)E	--
Q4 Dec	(0.22)A	(0.36)E		--	(0.37)E		--
Year*	**($1.32)A**	**($1.57)E**	**($1.44)E**	**--**	**($1.56)E**	**($1.55)E**	**--**
P/E	--	--			--		
Change	93%	-19%			1%		

Consensus estimates are from Thomson First Call.
** Numbers may not add up due to rounding.*

April 26, 2011

Price
$9.49

Rating
OUTPERFORM

12-Month Price Target
$20

Gregory R. Wade, Ph.D.
(415) 274-6863
greg.wade@wedbush.com

David M. Nierengarten, Ph.D.
(415) 274-6862
david.nierengarten@wedbush.com

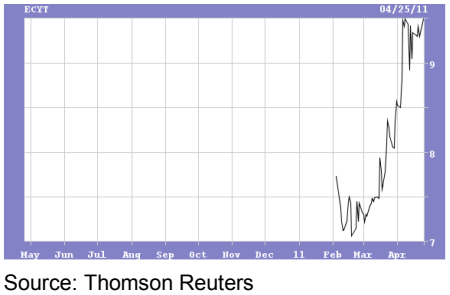
Christopher N. Marai, Ph.D.
(415) 274-6861
chris.marai@wedbush.com

Company Information

Shares Outst (M)	30.2
Market Cap	$281.7
52-Wk Range	$6.15 - $9.84
Book Value/sh	$2.02
Cash/sh	$3.25
Enterprise Value (M)	$185.1
LT Debt/Cap %	0
Cash Burn (M)	$43.4

Company Description

Endocyte is developing novel small molecule drug conjugates and companion imaging prognostics. Their lead candidate, EC145, is in PIII trials in the PROC setting, targets cancers expressing the folate receptor that is also expressed on many solid tumors.



Source: Thomson Reuters

Risks to our price target include 1) failure of EC145 for PROC in the clinic; and 2) failure to receive marketing approval in the US or the EU for EC145 for PROC.

Potential Upcoming Milestones
H1:11 Initiate Phase III trial for EC145 in women with platinum-resistant ovarian cancer
H1:11 Initiate Phase III trial for EC20 folate imaging agent (companion prognostic for EC145)
H1:11 End of Phase II meeting with EU EMEA
May 5th 2011 Update the Street on the anticipated route and timeline to EU approval
June 4-8th Final Phase II PRECEDENT trial data for EC145 at ASCO (Chicago, IL)
H2:11 Potential filing for accelerated approval in the EU with existing platinum-resistant ovarian cancer PFS data
YE:11 PSMA targeting SMDC trial expected to be complete
YE:11 Complete Phase I Trial for EC0489 DAVLBH payload SMDC in solid tumors
YE:11 Complete Phase I Trial for EC0225 DAVLBH/mitomycin-C payload SMDC in solid tumors
Q1:12 Overall survival data from Phase IIb PRECEDENT trial of EC145 in platinum-resistant ovarian cancer
2012 Potential EU launch if accelerated approval granted by the EMA
2013 Final analysis of Phase III PROCEED trial of EC145
2014 Potential US launch of EC145 in PROC setting

Analyst Certification
I, Gregory R. Wade, Ph.D., David M. Nierengarten, Ph.D., Christopher N. Marai, Ph.D., certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

Disclosure information regarding historical ratings and price targets is available at http://www.wedbush.com/ResearchDisclosure/DisclosureQ111.pdf

Investment Rating System:
Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.
Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.
Underperform: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating Distribution (as of March 31, 2011)	**Investment Banking Relationships (as of March 31, 2011)**
Outperform: 55% Neutral: 37% Underperform: 8%	Outperform: 11% Neutral: 4% Underperform: 0%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

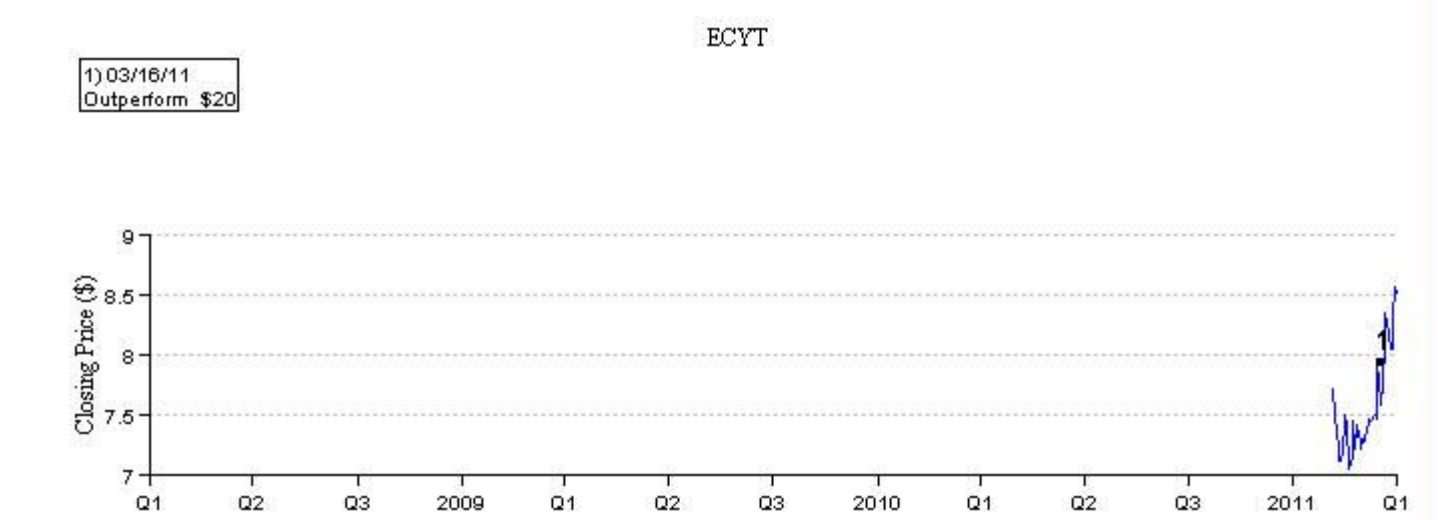
The analysts responsible for preparing research reports do not receive compensation based on specific investment banking activity. The analysts receive compensation that is based upon various factors including WS' total revenues, a portion of which are generated by WS' investment banking activities.

Wedbush Equity Research Disclosures as of April 26, 2011

Company	Disclosure
Endocyte, Inc.	1,3,4,5,7

Research Disclosure Legend
1. WS makes a market in the securities of the subject company.
2. WS managed a public offering of securities within the last 12 months.
3. WS co-managed a public offering of securities within the last 12 months.
4. WS has received compensation for investment banking services within the last 12 months.
5. WS provided investment banking services within the last 12 months.
6. WS is acting as financial advisor.
7. WS expects to receive compensation for investment banking services within the next 3 months.
8. WS provided non-investment banking securities-related services within the past 12 months.
9. WS has received compensation for products and services other than investment banking services within the past 12 months.
10. The research analyst, a member of the research analyst's household, any associate of the research analyst, or any individual directly involved in the preparation of this report has a long position in the common stocks.
11. WS or one of its affiliates beneficially own 1% or more of the common equity securities.

Price Charts
Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.



* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.
Please access the attached hyperlink for WS' Coverage Universe: http://www.wedbush.com/services/cmg/equities-division/research/equity-research Applicable disclosure information is also available upon request by contacting Ellen Kang in the Research Department at (213) 688-4529, by email to ellen.kang@wedbush.com, or the Business Conduct Department at (213) 688-8090. You may also submit a written request to the following: Business Conduct Department, 1000 Wilshire Blvd., Los Angeles, CA 90017.

OTHER DISCLOSURES

RESEARCH DEPT. * (213) 688-4505 * www.wedbush.com
EQUITY TRADING Los Angeles (213) 688-4470 / (800) 421-0178 * EQUITY SALES Los Angeles (800) 444-8076
CORPORATE HEADQUARTERS (213) 688-8000

The information herein is based on sources that we consider reliable, but its accuracy is not guaranteed. The information contained herein is not a representation by this corporation, nor is any recommendation made herein based on any privileged information. This information is not intended to be nor should it be relied upon as a complete record or analysis; neither is it an offer nor a solicitation of an offer to sell or buy any security mentioned herein. This firm, Wedbush Securities, its officers, employees, and members of their families, or any one or more of them, and its discretionary and advisory accounts, may have a position in any security discussed herein or in related securities and may make, from time to time, purchases or sales thereof in the open market or otherwise. The information and expressions of opinion contained herein are subject to change without further notice. The herein mentioned securities may be sold to or bought from customers on a principal basis by this firm. Additional information with respect to the information contained herein may be obtained upon request.

WEDBUSH

EQUITY RESEARCH DEPARTMENT
(213) 688-4529

DIRECTOR OF RESEARCH
Mark D. Benson (213) 688-4435

CONSUMER PRODUCTS AND SERVICES

Consumer Products
Rommel T. Dionisio (212) 938-9934
Kurt M. Frederick, CFA CPA (213) 688-4459

Entertainment: Toys
Edward Woo, CFA (213) 688-4382
Nick McKay (213) 688-4343

Footwear and Apparel
Camilo Lyon (212) 938-9924
Alicia Jenks (212) 938-9927

Healthy Lifestyles
Kurt M. Frederick, CFA CPA (213) 688-4459

Specialty Retail: Hardlines
Joan L. Storms, CFA (213) 688-4537
John Garrett (213) 688-4523

Camilo Lyon (212) 938-9924
Alicia Jenks (212) 938-9927

Specialty Retail: Softlines
Betty Chen (415) 273-7328

Specialty Retail: Sporting Goods
Camilo Lyon (212) 938-9924
Alicia Jenks (212) 938-9927

RETAIL/CONSUMER MARKET RESEARCH

Gabriella Santaniello (213) 688-4557

CLEAN TECHNOLOGY AND INDUSTRIAL GROWTH

Aerospace and Defense
Kenneth Herbert (415) 274-6875
Andrew Doupé (415) 274-6876

Clean Technology
Craig Irwin (212) 938-9926
David Giesecke (212) 938-9925

Environmental Services
Al Kaschalk (213) 688-4539
Kevin Lee (213) 688-4303

Industrial Biotechnology
Liana Moussatos, Ph.D. (415) 263-6626
Christopher N. Marai, Ph.D. (415) 274-6861

Solar Technology
Christine Hersey (213) 688-4311

Water and Renewable Energy Solutions
David Rose, CFA (213) 688-4319

TECHNOLOGY, MEDIA AND TELECOM

Communications Equipment
Rohit Chopra (212) 668-9871
Sanjit Singh (212) 938-9922

Datacenter Technologies
Kaushik Roy (415) 274-6873

Enterprise Software
Michael B. Nemeroff (212) 668-9876
Michael J. Anderson (212) 668-9778

Entertainment: Retail
Michael Pachter (213) 688-4474

Entertainment: Software
Michael Pachter (213) 688-4474
Edward Woo, CFA (213) 688-4382
Nick McKay (213) 688-4343

Financial Technology
Gil B. Luria (213) 688-4501
Nick Setyan (213) 688-4519

Internet and E-Commerce
Kerry Rice, CPA (213) 688-4538

Edward Woo, CFA (213) 688-4382
Nick McKay (213) 688-4343

Media
James Dix, CFA (213) 688-4315
Max Pinigin (213) 688-4518

Movies and Entertainment
Michael Pachter (213) 688-4474
Edward Woo, CFA (213) 688-4382
Nick McKay (213) 688-4343

Semiconductors
Betsy Van Hees (415) 274-6869
Ryan Jue (415) 263-6669

Telecommunications Software
Scott P. Sutherland, CFA (213) 688-4522
Suhail Chandy (213) 688-4380

Wireless Equipment
Scott P. Sutherland, CFA (213) 688-4522
Suhail Chandy (213) 688-4380

LIFE SCIENCES

Biotechnology/Biopharmaceuticals/BioDefense
Gregory R. Wade, Ph.D. (415) 274-6863
David M. Nierengarten, Ph.D. (415) 274-6862
Christopher N. Marai, Ph.D. (415) 274-6861

Cardiac, Hepatic and Regenerative
Duane Nash, MD JD MBA (415) 263-6650
Akiva Felt (415) 263-6648

Emerging Pharmaceuticals
Liana Moussatos, Ph.D. (415) 263-6626
Richard Lau (415) 274-6851
Christopher N. Marai, Ph.D. (415) 274-6861

Healthcare Services - Managed Care
Sarah James (213) 688-4503
Daniel Patt (212) 938-9937

Medical Technology
Phillip Nalbone (415) 274-6884
Jeffrey Chu (415) 274-6885

Medical Diagnostics and Life Sciences Tools
Zarak Khurshid (415) 274-6823

EQUITY SALES		EQUITY TRADING	
Los Angeles	(213) 688-4470 / (800) 444-8076	Los Angeles	(213) 688-4470 / (800) 421-0178
San Francisco	(415) 274-6800	San Francisco	(415) 274-6811
New York	(212) 938-9931	New York	(212) 344-2382
Boston	(617) 832-3700	Boston	(617) 832-3700

CORPORATE HEADQUARTERS
1000 Wilshire Blvd., Los Angeles, CA 90017-2465
Tel: (213) 688-8000 www.wedbush.com