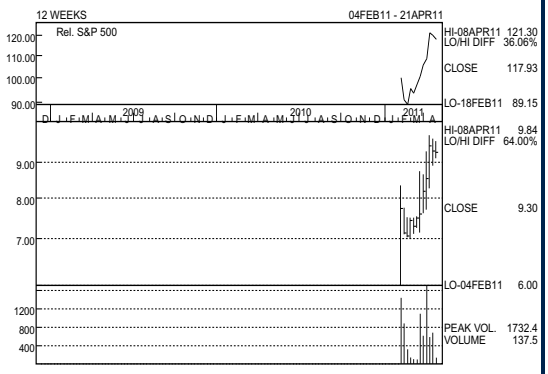

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All values in USD unless otherwise noted.

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FIRST GLANCE | COMMENT

APRIL 25, 2011

Endocyte, Inc. (NASDAQ: ECYT; 9.30)

Phase III Trial to Start Soon - Update from Management Meetings

Outperform
Speculative Risk

Impact

Phase III trial on track; expect EU update shortly.

First Impression

Our meetings with management confirm that ECYT recently met with both U.S. and EU regulators and is prepared to commence the Phase III trial. Near-term, we expect ECYT to announce the start of Phase III and to provide an update on whether or not it intends to file for EU approval with Phase II data (potential upside scenario not in our expectations). We also expect a potential partnership in 2011 or 2012, and ECYT reports ongoing discussions.

- **Recent meeting with the FDA (and EMA).** Based on guidance from regulators, ECYT will pursue PFS as the primary endpoint for the Phase III with overall survival as a secondary endpoint. It is likely, in our view, that FDA could approve EC145 based on a robust, statistically significant PFS advantage, which is later supported by either a strong trend or statistically significant overall survival advantage.
- **Phase III trial to begin shortly.** We believe interactions with U.S. and EU regulatory agencies did not lead to any material changes in the design of the trial, which could begin enrollment shortly.
- **Expect disclosure of EU strategy soon.** Pending final comments, ECYT will shortly disclose the outcome of EU regulatory feedback on whether or not it can file for approval with Phase II data. Our base case assumes Phase III needed for U.S./EU approvals; EU "go ahead" would be upside. We believe the planned Phase III trial will be required for EMA approvals. A CHMP "go ahead" to file with Phase II would be upside for three reasons: 1) it potentially moves up commercialization timing; 2) it partly lowers regulatory risk, and 3) it makes a potential partnership more likely and terms more attractive.
- **Partnership likely to follow.** Management confirmed that multiple discussions have been ongoing although timing is uncertain. Ideally, we would like to see the company retain a portion of marketing rights and believe it makes sense to sign a regional partner such as one for Europe and/or Asia. Our base case assumes a partnership in 2012; therefore, a partnership in 2011 would be upside to our forecasts.

Company Description

Endocyte is a biopharmaceutical company developing targeted therapies for the treatment of cancer and other serious diseases. The company uses its proprietary technology to create novel small molecule drug conjugates (SMDCs) and companion imaging diagnostics. SMDCs actively target receptors that are over-expressed on diseased cells, relative to healthy cells, which enables the treatment of patients with highly active drugs at greater doses, delivered more frequently, and over longer periods of time than would be possible with the untargeted drug alone. The combination of an SMDC with its companion imaging diagnostic is designed to personalize the treatment of patients by delivering effective therapy, selectively to diseased cells, in patients most likely to benefit. The company's lead SMDC, EC145, targets the folate receptor, which is frequently over-expressed in some of the most prevalent, and difficult to treat solid tumor indications, including ovarian, non-small cell lung, breast, colorectal, kidney, endometrial, and other cancers.

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Conflicts Disclosures

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Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

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Speculative (Spec): Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

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			Investment Banking Serv./Past 12 Mos.	
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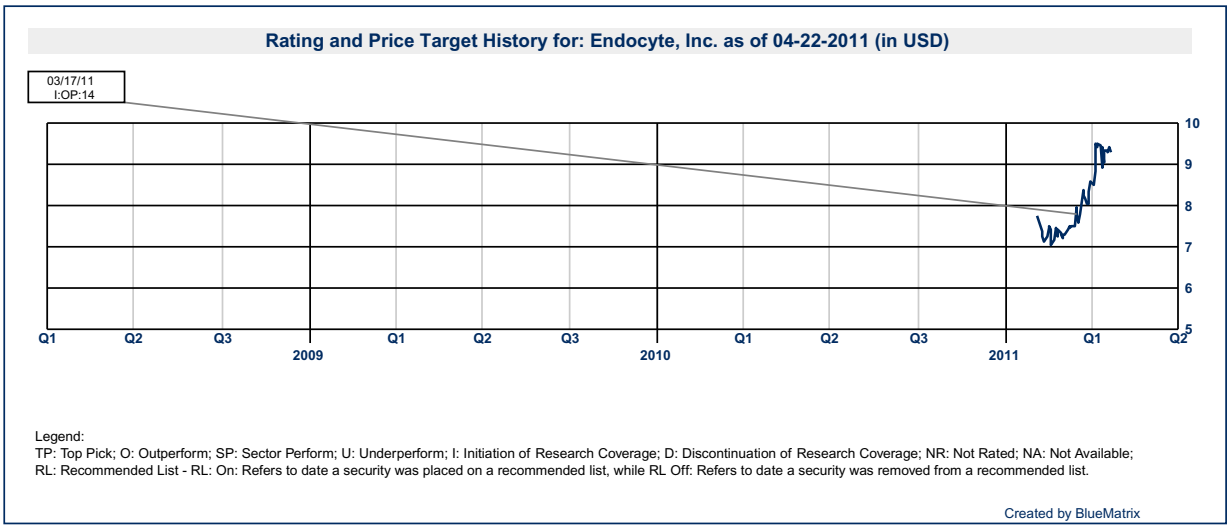
HOLD[SP]	582	43.10	132	22.68
SELL[U]	59	4.40	12	20.34



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