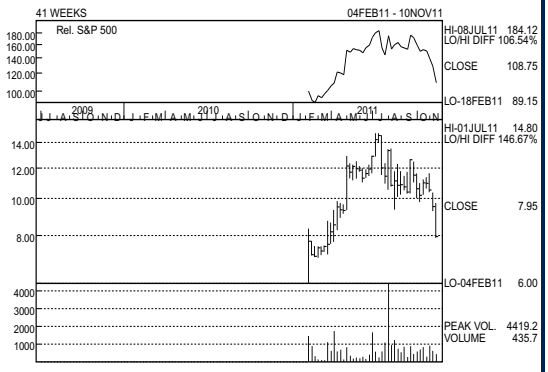

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FY Dec	2010A	2011E	2012E	
Rpt EPS - Basic	(21.77)	(1.43)	(0.93)	
Prev.		(1.39)	(0.87)	
Revenue (MM)	0.0	0.0	14.3	
P/Rpt EPS	NM	NM	NM	
Revenue (MM)	**Q1**	**Q2**	**Q3**	**Q4**
2010	0.0A	0.0A	0.0A	0.0A
2011	0.0A	0.0A	0.0A	0.0E
2012	4.5E	3.3E	3.3E	3.3E
Rpt EPS - Basic				
2010	(6.37)A	(5.79)A	(6.10)A	(3.57)A
2011	(0.43)A	(0.35)A	(0.36)A	(0.32)E
Prev.			(0.34)E	(0.31)E
2012	(0.20)E	(0.24)E	(0.25)E	(0.25)E
Prev.	(0.18)E	(0.22)E	(0.23)E	(0.24)E

All values in USD unless otherwise noted.

COMPANY UPDATE | COMMENT

NOVEMBER 11, 2011

Endocyte, Inc. (NASDAQ: ECYT)

Finding Ways around Doxil Shortage; MAA Filing On-Track

Outperform
Speculative Risk

Price:	7.95	**Price Target:**	14.00
		Implied All-In Return:	76%
Shares O/S (MM):	35.6	**Market Cap (MM):**	283
Dividend:	0.00	**Yield:**	0.0%

Event

ECYT is on track for MAA filing in Q1:12. Modest supply of Doxil secured for EU trial sites.

Investment Opinion

ECYT reported an unexpected procurement of Doxil in EU sufficient to treat approximately 70-100 patients in the Phase III study (out of ~500 target). While the current Doxil shortage continues to put the Phase III timeline at risk, the unexpected EU supply will help ECYT stay on track for final Phase III data in H1:13. ECYT reiterated plans to file a conditional MAA in Q1:12 and remains in a strong financial position ($138.9M cash) to complete its Phase III trial and initiate a new NSCLC trial in Q1:12.

- **Doxil procurement keeps Phase IIItrial progressing.** ECYT expects to enroll patients at newly activated EU sites before year-end 2011. Enrollment is expected to progress rapidly given the shortage of Doxil for commercial use. In the US, no additional patients have enrolled since July, but there is enough Doxil to treat all US patients who enrolled before July.

- **No impact to EU regulatory timelines.** ECYT still expects to announce the results of its updated analysis of the Phase II trial in Q1:12 prior to filing the MAA later that quarter. We estimate potential first sales in 2013 (based on Q1:12 MAA filing), and we assume that ECYT will sign an ex-US partner. Completion of the MAA filing and disclosure of the updated Phase II data could increase the value of an ex-US deal.

- **Other options for dealing with the Doxil shortage.** ECYT is considering other options if the shortage persists including: 1) Adding another comparator, such as topotecan or dealer's choice. ECYT has begun generating supportive preclinical data, but would need to discuss this option with FDA. 2) Shifting enrollment to OUS where some countries seem to have a greater local supply (and sufficient patients). Importantly, the FDA has no restrictions on the number of patients or clinical sites that must be located in US.

- **Significant newsflow for EC145/EC20 in Q1:12** includes (1) Results from PRECEDENT study (OS results, independent PFS results) and concordance results for EC20, to be press-released, (2) MAA filing in EU, and (3) initiation of the Phase II trial in lung cancer.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 5.

Details

3Q:11E P&L Variance Table

Income Statement	Actual 3Q:10 Act.	Actual 3Q:11 Act.	Y/Y Growth	RBC Estimate 3Q:11 Est.	RBC Estimate Delta	Consensus Estimate 3Q:11 Est.	Consensus Estimate Delta
EC145	-	-		-			
Total Product Revenues	-	-		-			
Collaboration revenue	-	-		-			
Total Revenues	**-**	**-**		**-**			
COGS	-	-		-			
Research and Development Expenses	3.7	8.9	143%	8.0	0.9		
Sales, General and Administrative Expenses	1.7	2.7	60%	2.3	0.4		
Total Costs and Expenses	**5.4**	**11.6**	**117%**	**10.3**	**1.3**		
Operating Income (Loss)	**(5.4)**	**(11.6)**		**(10.3)**	**(1.3)**		
Other Income/(Expense), Net	(0.3)	(0.4)		(0.5)	0.1		
Income (Loss) before Tax	**(5.7)**	**(12.1)**		**(10.8)**	**(1.2)**		
Net Income (Loss) - GAAP	**(5.7)**	**(12.1)**		**(10.8)**	**(1.2)**	**(11.1)**	**(1.0)**
EPS, Basic (GAAP)	**($6.10)**	**($0.36)**		**$ (0.34)**	**$ (0.02)**	**$ (0.33)**	**$ (0.03)**
EPS, Diluted (GAAP)	($6.10)	($0.36)		$ (0.34)			
Shares Outstanding, Basic	0.9	33.4		31.7			
Shares Outstanding, Diluted	15.1	35.6		33.9			

Source: Company reports and RBC Capital Markets estimates.

Key News Flow

Timing	Expected News Flow	Program
Q1:12	Initiate Phase II trial in NSCLC	EC145
Q1:12	Final Phase II overall survival data from PRECEDENT	EC145
Q1:12	PFS results of independent scan reads for Phase II PRECEDENT	EC145 / EC20
Q1:12	Results of concordance study for EC20	EC20
Q1:12	MAA filing for ovarian cancer	EC145 / EC20
H1:12	Initiate new clinical program	Pipeline
2012	Potential partner for EC145	EC145
Q2:13	Final Phase III PFS results from PROCEED; interim OS results	EC145
2013	Approval and launch in EU	EC145 / EC20
Q3:13	Final PFS data in NSCLC	EC145
Late 2015/early 2016	Final Phase III PFS results from PROCEED; interim OS results	EC145

Source: Company reports and RBC Capital Markets estimates.

Products And Pipeline

Product	Indication	Target	Payload	Status
Cancer				
EC145	Platinum resistant ovarian cancer	FR	DAVLBH	Phase III
	Non-small cell lung cancer		DAVLBH	Phase II
EC0489	Solid tumors	FR	DAVLBH	Phase I
EC0225	Solid tumors	FR	DAVLBH / Mitomycin-C	Phase I
EC17	Solid tumors	FR	Hapten	Phase I
EC0531	Solid tumors	FR	Tubulysin-B	Preclinical
EC1069	Prostate cancer	PSMA	Tubulysin-B	Preclinical
Inflammation				
ECO746	Inflammation	FR	Aminopterin	Preclinical
ECO565	Inflammation	FR	mTor inhibitor	Preclinical
Companion Imaging Diagnostics				
EC20	Diagnostic (folate receptor)	FR	Tc-99m	Phase III
EC0652	Diagnostic (prostate)	PSMA	Tc-99m	Phase I

Source: Company reports and RBC Capital Markets.

Valuation

We arrive at $14 price target using three methodologies which together suggest a $16 target valuation but include a negative $2 overhang related to the ongoing Doxil shortage, which we hope will be resolved quickly, bu could threaten the timelines for Phase III data.

1. **DCF Sum-of-the-Parts Analysis – Primary Valuation Metric**. Our sum-of-the parts DCF analysis of $16.27/share includes EC145 for PROC ($9.36/share) and NSCLC ($4.86/share). The DCF of its financial assets including net cash and NOLs net of next 5 year burn is $2.05/share.We assume that EC145's patent life extends through 2026.
2. **P/E Multiple**. We use a P/E multiple of 18x our 2018 fully taxed GAAP EPS estimate of $2.16 and a discount rate of 15% for 6.5 years to arrive at our price target of $15.70.
3. **DCF Analysis – Based on Company P&L**. Our company level DCF analysis supports a $16.10 price target with the following assumptions: a discount rate of 15%, -25% terminal growth rate, and a conservative declining 20-5% medium-term top-line growth forecast. Aside from EC145 for PROC and NSCLC we do not include any major pipeline products in our estimates.

Price Target Impediment

Our price target is dependent primarily on the regulatory and commercial success of EC145 in platinum resistant ovarian cancer as well as in non-small cell lung cancer. Any setbacks in clinical development, delay in launch, increased competition or other limitations to the market potential of EC145 could negatively impact our valuation. Upside could come from pricing, better than anticipated market penetration, new partnerships, clinical success of earlier-stage programs that are not included in our valuation and/or setbacks for potential competitors. We are initiating coverage with an Outperform rating, Speculative Risk and a $14 price target.

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.

Endocyte

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Annual and Quarterly Income Statement

($ in MM; except per share)	2010A	Q1:11A	Q2:11A	Q3:11A	Q4:11E	2011E	Q1:12E	Q2:12E	Q3:12E	Q4:12E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
EC145																	
U.S. Sales - PROC											0.0	0.0	24.5	63.5	114.3	154.3	200.0
EU Royalty - PROC											0.0	2.3	5.8	10.2	16.1	22.5	29.4
EC145 - NSCLC											0.0	0.0	0.0	0.0	0.0	20.0	70.0
EC0225											0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Product Revenues							0.0	0.0	0.0	0.0	0.0	2.3	30.3	73.7	130.4	196.8	299.4
Collaboration revenue	0.0	0.0	0.0	0.0	0.0	0.0	4.5	3.3	3.3	3.3	14.3	25.4	19.2	9.2	18.3	10.8	0.0
Total Revenues	0.0	0.0	0.0	0.0	0.0	0.0	4.5	3.3	3.3	3.3	14.3	27.7	49.5	82.9	148.7	207.6	299.4
COGS		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	6.4	11.4	17.4	27.0
Research and Development Expenses	14.6	4.4	7.7	8.9	8.5	29.6	8.7	8.9	9.1	9.3	36.0	40.0	46.0	55.0	55.0	60.0	65.0
Sales, General and Administrative Expenses	6.0	2.1	2.3	2.7	2.5	9.6	2.6	2.7	2.8	2.9	11.0	15.0	25.0	35.0	37.0	40.0	50.0
Total Costs and Expenses	20.6	6.5	10.1	11.6	11.0	39.2	11.3	11.6	11.9	12.2	47.0	55.0	73.5	96.4	103.4	117.4	142.0
Operating Income (Loss)	(20.6)	(6.5)	(10.1)	(11.6)	(11.0)	(39.2)	(6.8)	(8.4)	(8.7)	(9.0)	(32.8)	(27.3)	(23.9)	(13.5)	45.3	90.2	157.4
Other Income/(Expense), Net	0.5	(0.7)	(0.5)	(0.4)	(0.5)	(2.1)	(0.3)	(0.2)	(0.2)	(0.1)	(0.8)	(0.1)	0.3	0.3	0.3	0.3	0.3
Income (Loss) before Tax	(20.1)	(7.2)	(10.5)	(12.1)	(11.5)	(41.3)	(7.1)	(8.6)	(8.8)	(9.1)	(33.6)	(27.4)	(23.6)	(13.2)	45.6	90.5	157.6
Provision for Income Tax		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3	7.9
Net Income (Loss) - GAAP	**(20.1)**	**(7.2)**	**(10.5)**	**(12.1)**	**(11.5)**	**(41.3)**	**(7.1)**	**(8.6)**	**(8.8)**	**(9.1)**	**(33.6)**	**(27.4)**	**(23.6)**	**(13.2)**	**45.6**	**88.2**	**149.8**
EPS, Basic (GAAP)	($21.77)	($0.43)	($0.35)	($0.36)	($0.32)	($1.43)	($0.20)	($0.24)	($0.25)	($0.25)	($0.93)	($0.75)	($0.57)	($0.31)	$1.07	$2.05	$3.45
EPS, Diluted (GAAP)	($21.77)	($0.43)	($0.35)	($0.36)	($0.32)	($1.43)	($0.20)	($0.24)	($0.25)	($0.25)	($0.93)	($0.75)	($0.57)	($0.31)	$1.02	$1.95	$3.28
EPS, Diluted (Fully-Taxed, GAAP)															$0.67	$1.29	$2.16
Shares Outstanding, Basic	0.9	16.9	29.7	33.4	35.7	28.9	35.8	35.9	35.9	36.0	35.9	36.4	41.8	42.2	42.6	43.0	43.5
Shares Outstanding, Diluted	3.1	19.1	31.9	35.6	37.9	31.1	38.0	38.1	38.2	38.3	38.1	38.6	44.0	44.4	44.8	45.2	45.7

EC145 summary	2013E	2014E	2015E	2016E	2017E	2018E
US sales	0.0	24.5	63.5	114.3	154.3	200.0
EU sales	11.6	29.2	51.1	80.3	112.3	147.1
Total sales	11.6	53.7	114.6	194.6	266.6	347.1
Revenue to Endocyte	2.3	30.3	73.7	130.4	176.8	229.4

Expense analysis	2013E	2014E	2015E	2016E	2017E	2018E
Cost of goods (% of sales)		10%	10%	10%	10%	10%
R&D (% of revenues)		93%	66%	37%	29%	22%
SG&A (% of revenues)		50%	42%	25%	19%	17%
Operating Margin		-48%	-16%	30%	43%	53%

Source: Company reports and RBC Capital Markets estimates.

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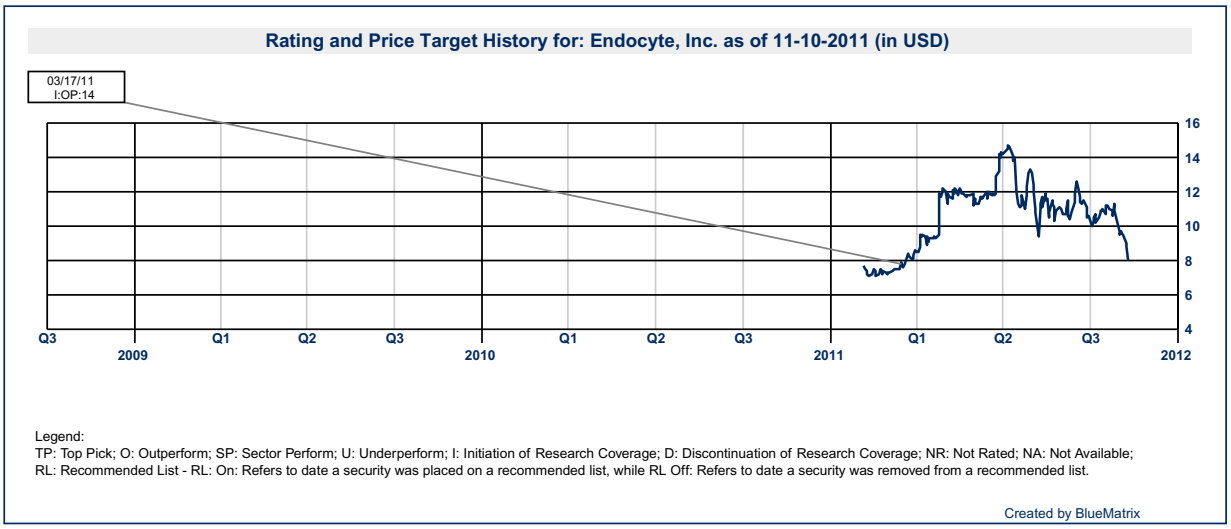

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