

Monday, May 20, 2013

BMO Capital Markets
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Intercept Pharmaceuticals (Outperform)

(ICPT-NASDAQ)

Significant Opportunity on Positive OBADIAH Data in PBAD

Flash:

Intercept Pharmaceuticals (ICPT) announced today positive phase 2a data for obeticholic acid (OCA) in patients with primary bile acid diarrhea (PBAD). Initial results from the first 10 patients enrolled in the OBADIAH phase 2a trial suggested statistically significant increases in serum levels of a key disease marker, FGF19, along with improvements in clinical symptoms. Specifically, at a dose of 25mg once-daily, treatment with OCA produced an increase in FGF19 levels to 237pg/ml from 133pg/ml ($p=0.007$) and reduced stool frequency to 14/week from 23/week ($p=0.03$), with an improvement in the median Bristol Stool Form Scale from 5.15 to 4.34 ($p=0.05$). Overall, OCA was well tolerated in the study and additional data is expected in 2H13 for OCA in patients with secondary bile acid diarrhea due to Crohn's as well as IBS-D with normal FGF19 levels.

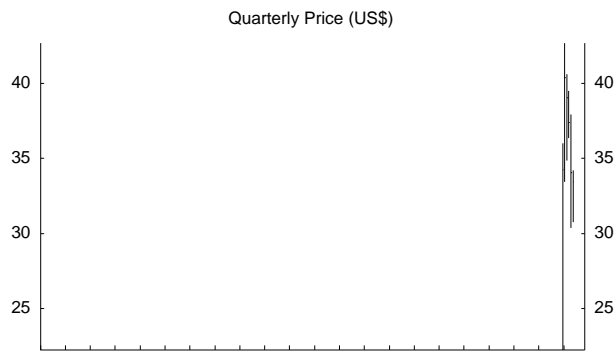
Our View:

- * Initial OBADIAH data are better than expected in terms of achieving statistical significance with both biochemical and clinical endpoints.
- * Internal consistency of data between FGF19 reduction and reduced stool frequency is impressive and is further supported by worsening symptoms on drug withdrawal.
- * Chronic therapy with OCA for primary bile acid diarrhea (PBAD) could represent a potential blockbuster opportunity with one-third of patients with diarrhea-predominant irritable bowel syndrome (IBS) suffering from PBAD.

Company:	Intercept Pharmaceuticals (ICPT)
Price/Rating/Target:	\$33.22/Outperform/\$44.00
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Please refer to pages 2 to 5 for Disclosure Statements, including the Analyst's Certification.

Intercept Pharmaceuticals (ICPT)



Last Price (May 17, 2013): \$33.45
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

Important Disclosures

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Methodology: Our \$44 price target is based on 20x our 2018E EPS of \$4.58 discounted 20%. We believe that the 20x multiple is in-line with current biotech growth companies and supported by a 20%-plus EPS CAGR beyond 2018. We believe that the 20% discount rate adequately reflects risk to our estimates.

Risks: There are a number of risks associated with investment in biotechnology companies. These risks include, but are not limited to, risk of clinical trial delay or failure, adverse regulatory decisions including product non-approval, unanticipated adverse effects of drugs which may result in removal from market, risk of manufacturing difficulties, capital market risk which may impair the ability to fund product discovery, research, regulatory filing, manufacture and/or commercialization, risk in attaining and retaining appropriate development or commercial partners, lower-than-expected product adoption, difficulties in gaining appropriate reimbursement for products from payors, unforeseen generic and branded competition, risk to patents being invalidated, and failure to meet earnings and revenue expectations.

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Hold	Market Perform	58.0%	8.8%	44.6%	56.8%	47.7%	41.1%
Sell	Underperform	4.7%	3.7%	1.5%	4.9%	1.0%	5.7%

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(S) = Speculative investment;

NR = No rating at this time; and

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http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

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