

Hyperion Therapeutics, Inc. (HPTX)

Dr. Check Up: One Center's Experience with Ravicti Launch

MARKET DATA

Price	\$20.75
52-Week Range:	\$9.95 - \$26.50
Shares Out. (M):	20.3
Market Cap (\$M):	\$421.2
Average Daily Vol. (000):	55.0
Cash (M):	\$102
LT Debt (M):	\$8

Source: Thomson Reuters and JMP Securities LLC

MARKET OUTPERFORM | Price: \$20.75 | Target Price: \$30.00

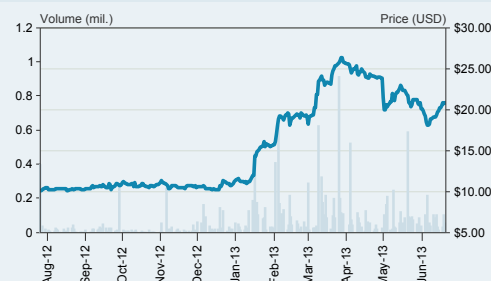
INVESTMENT HIGHLIGHTS

Dr. Check Up: One center's experience with Ravicti; reiterate Market Outperform rating and \$30 price target on Hyperion Therapeutics based on a risk-adjusted, discounted cash flow analysis. We spoke to a physician and thought leader in UCD at a Midwestern center with a focus on genetics and metabolism including patients with urea cycle disorders (UCD). Our conversation suggests Ravicti will achieve broad use in the UCD community. At this early stage in the launch, at their center, about ten patients out of 40-50 have started Ravicti, seven of whom rolled over from clinical trial usage and the remainder who were offered Ravicti as they came in for their regularly scheduled check-up, which tends to occur every 3-6 months for stable patients at the clinic. They did mention there have been a few patients who refused to switch given the cost. We are encouraged that there have been no problems with insurance with the reimbursement process, taking from several days to weeks to complete. We recommend shares of Hyperion as we believe Ravicti will be used by the large majority of patients currently on Buphenyl as well as newly diagnosed patients and some patients who have discontinued Buphenyl therapy due to difficulties tolerating the drug.

FY DEC	2012A	2013E	2014E
Revenue (\$M) 1Q	\$0.0	\$0.8A	--
2Q	\$0.0	\$1.9	--
3Q	\$0.0	\$8.1	--
4Q	\$0.0	\$11.8	--
FY	\$0.0	\$22.5	\$78.0
EPS 1Q	(\$25.16)	(\$0.52)A	--
2Q	(\$15.26)	(\$0.17)	--
3Q	(\$0.44)	(\$0.26)	--
4Q	(\$0.50)	(\$0.10)	--
FY	(\$4.45)	(\$1.05)	(\$0.05)

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE



Liisa A. Bayko
lbayko@jmpsecurities.com
(312) 768-1785

Heather Behanna, PhD
hbehanna@jmpsecurities.com
(312) 768-1795

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Company Description

Hyperion Therapeutics is a San Francisco-based biopharmaceutical company focused on the development of Ravicti, a delayed release formulation of buphenyl, an ammonia scavenger approved for use in UCD with the potential to be used in other diseases characterized by ammonia toxicity, notably HE.

Investment Risks

Clinical risk. Ravicti is currently being evaluated for use in children under age 2. Should a safety issue arise, ramifications could include approval extension into this age group and potentially for the broader age group. Ravicti could under-perform in forthcoming clinical studies in hepatic encephalopathy (HE) or safety issues could arise.

Regulatory risk. The FDA is currently revising endpoints for HE. We expect the process to wrap up by year end, but it is conceivable that it could take longer, which would push back the start of pivotal studies for Ravicti in this indication. Hyperion has indicated that it will pursue a special protocol assessment (SPA) in advance of starting its pivotal program and it is possible that the FDA may disagree with development plans for Ravicti in HE.

Intellectual Property risk. The composition of matter patent for Ravicti expires in 2015, with market exclusivity extended to 2018 with Hatch Waxman. Hyperion has received orphan exclusivity, which extends exclusivity until 2020. Hyperion recently received notice that new patents will be allowed which cover instructions on how to monitor and adjust dosing, which management believes will extend protection until 2028.

Commercial risk. As a small company, Hyperion may not be able to maximize the marketplace and bring non-treated UCD patients on board. Insurers may provide more push-back than anticipated in allowing patients to switch from Buphenyl to Ravicti. Patients may chose other alternatives such as generic sodium phenylbuterate powder or a tasteless formulation currently moving through the European regulatory process. Newer technological breakthroughs may occur rendering Hyperion's compound obsolete. Hyperion may have a harder time gaining traction in HE given the dominance of lactulose and Salix's Xifaxan in the marketplace.

Sector risk. Valuation of biopharmaceutical stocks is subject to both investors' assessments of the prospects of the underlying companies, as well as investor tolerance for risk and confidence in the prospects of pharmaceutical stocks as a group. Therefore, Hyperion's stock price may fall even while the company meets or exceeds investor expectations.

JMP FACTS AND DISCLOSURES

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JMP Securities Disclosure Definitions:

JMP Securities currently makes a market in the security of Hyperion Therapeutics, Inc.

JMP Securities was manager or co-manager of a public offering for Hyperion Therapeutics, Inc. in the past 12 months.

JMP Securities Investment Opinion Definitions:

Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

Market Perform (MP): JMP Securities expects the stock price to perform in line with relevant market indices over the next 12 months.

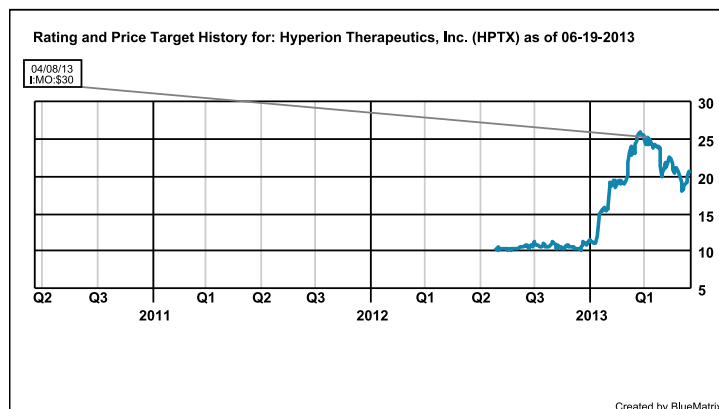
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

JMP Securities Research Ratings and Investment Banking Services: (as of June 19, 2013)

JMP Rating	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Equivalent	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months	% of Co's With This Rating
MARKET OUTPERFORM	Buy	231	60.79%	Buy	231	60.79%	75	32.47%
MARKET PERFORM	Hold	144	37.89%	Hold	144	37.89%	19	13.19%
MARKET UNDERPERFORM	Sell	5	1.32%	Sell	5	1.32%	0	0%
TOTAL:		380	100%		380	100%	94	24.74%

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with NASD Rule 2711, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: JMP Securities.



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Jeffrey H. Spurr
Director of Research
 (415) 835-3903

RESEARCH PROFESSIONALS

FINANCIAL SERVICES

Asset Managers

David Trone	(212) 906-3525
Chris Ross, CFA	(212) 906-3532

Commercial & Specialty Finance

Christopher York	(415) 835-8965
Kevin Chen	(404) 848-7774

Consumer Finance

David M. Scharf	(415) 835-8942
Jeremy Frazer	(312) 768-1796

Financial Processing & Outsourcing

David M. Scharf	(415) 835-8942
Jeremy Frazer	(312) 768-1796

Insurance

Matthew J. Carletti	(312) 768-1784
Christine Worley	(312) 768-1786

Investment Banks & Brokers

David Trone	(212) 906-3525
Chris Ross, CFA	(212) 906-3532

Mortgage Finance

Steven C. DeLaney	(404) 848-7773
Trevor Cranston, CFA	(415) 869-4431
Charter Robinson	(757) 613-8955
Benjamin Zucker	(212) 906-3529

HEALTHCARE

Biotechnology

Liisa A. Bayko	(312) 768-1785
Heather Behanna, Ph.D.	(312) 768-1795
Jason N. Butler, PhD	(212) 906-3505
Christopher T. Radom, PhD	(212) 906-3519
Michael G. King, Jr.	(212) 906-3520
Carter L. Gould	(212) 906-3522
Eric Joseph	(212) 906-3514
John L. Newman, PhD	(212) 906-3510
Caroline Palomeque	(212) 906-3509

Healthcare Services & Facilities

Peter L. Martin, CFA	(415) 835-8904
Aaron Hecht	(415) 835-3963
Arthur Kwok	(415) 835-8908

Medical Devices

David Turkaly	(212) 906-3563
John Gillings	(212) 906-3564

Medical Devices & Molecular Diagnostics

J. T. Haresco, III, PhD	(415) 869-4477
Ralph Fong	(415) 835-8916

REAL ESTATE

Housing & Land Development

Peter L. Martin, CFA	(415) 835-8904
Aaron Hecht	(415) 835-3963
Bharathwajan Iyengar	(415) 835-3902

Lodging & Property Services

William C. Marks	(415) 835-8944
Whitney Stevenson	(415) 835-8948

REITs: Healthcare

Peter L. Martin, CFA	(415) 835-8904
Aaron Hecht	(415) 835-3963
Arthur Kwok	(415) 835-8908

REITs: Office, Industrial, & Diversified

Mitch Germain	(212) 906-3546
Peter Lunenburg	(212) 906-3537

TECHNOLOGY

Communications Equipment & Internet Security

Erik Suppiger	(415) 835-3918
Christopher Slaymaker	(415) 835-3920

Internet & Digital Media

Ronald V. Josey III	(212) 906-3528
John Dessouki	(212) 906-3545

Software

Patrick Walravens	(415) 835-8943
Peter Lowry	(415) 869-4418
Greg McDowell	(415) 835-3934

Wireless & Cloud Computing Technologies

Alex Gauna	(415) 835-8998
Michael Wu	(415) 835-8996

ADDITIONAL CONTACTS

Thomas R. Wright
Director of Equities
 (212) 906-3599

Dan Wychulis
Director of Institutional Sales
 (617) 235-8530

600 Montgomery Street, Suite 1100
 San Francisco, CA 94111
www.jmpsecurities.com