October 14, 2012

OUTPERFORM

Reason for report:

PROPRIETARY - SURVEY

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LEERINK SWANN

HEALTHCARE EQUITY RESEARCH

HYPERION THERAPEUTICS, INC.

Survey Garners Encouraging Feedback for Ravicti as Potential Treatment for HE

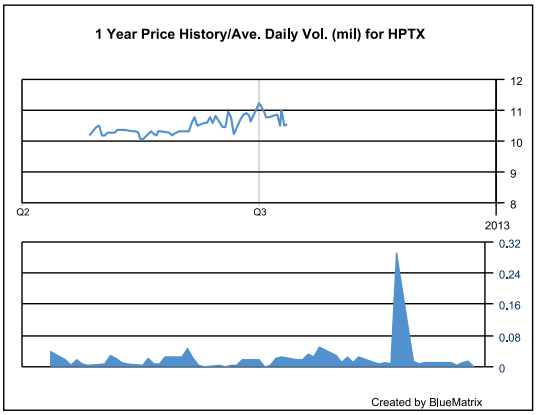
• **Bottom Line**: MEDACorp conducted a survey of 52 gastroenterologists in the U.S. to gauge the market opportunity for Ravicti in the treatment of Hepatic Encephalopathy (HE). The survey found that HE accounts for 49% of Xifaxan (rifaximin) Rx, which is currently on a $450MM run rate. Visibility on Ravicti in HE is still low, but may increase following presentation of Phase II data at AASLD this November. **Reiterate Outperform rating and $18 FVE.**

• **HE accounts for 49% of Xifaxan (rifaximin) Rx, suggesting mkt is larger than thought.** It has been unclear what percentage of Xifaxan Rx are currently used to treat HE. Recall the drug is also used to treat other conditions, including Crohn's Disease and Irritable Bowel Disease. HPTX mgmt estimated around 30-40% of Xifaxan Rx are used to treat HE. Survey results indicate that Lactulose at present is still the first-line therapeutic for most physicians when treating HE (52% of pts), but Xifaxan will be used to treat 44% of HE patients in 1 year, up from 35% currently. Sixty-three percent of HE patients are candidates for Xifaxan, according to survey respondents.

• **Visibility on Ravicti for HE still low, but may increase following presentation of the Phase II data at AASLD this November.** Fifty-six percent of questioned physicians have not previously heard of the drug. HPTX will report results of the Phase II ("HALT-HE") Study at the AASLD conference during a plenary session taking place on November 12, 2012. Recall, in contrast to SLXP's (MP) Xifaxan, which blocks nitrogen absorption in the gut for HE patients, Ravicti lowers ammonia systemically by increasing its clearance. Ravicti could thus potentially be complementary to currently approved agents that limit the local production of ammonia. HPTX completed a Phase II clinical study of similar design to the pivotal trial used to evaluate Xifaxan, the only therapy approved by the FDA for episodic HE within the last 30 years. Phase II data indicate that Ravicti may have superior efficacy compared to Xifaxan and may improve outcomes when given in combination.

• **We see HE as a significant source of upside for HPTX.** All physicians who were familiar with Ravicti view the drug as effective and potentially useful in their HE patients. Surveyed physicians believe that 20% of HE patients would be candidates for the drug. We view this as a floor with potential upside as data and awareness build. Pivotal clinical data for Xifaxan show that 22% of patients experienced breakthrough HE events while taking rifaximin over a period of six months. Gastroenterologists participating in the survey also suggested that 26% of patients appear not well controlled with currently available therapeutics. Our model estimates a $500MM market opportunity via 25% peak penetration of the est. 20% of 140k HE patients that are severe.

Key Stats:	**(NASDAQ:HPTX)**
S&P 600 Health Care Index:	**828.20**
Price:	**$10.53**
52 Week High:	$12.00
52 Week Low:	$9.95
Shares Outstanding (mil):	16.6
Market Capitalization (mil):	$174.8
Book Value/Share:	$0.00
Cash Per Share:	$3.16
Dividend (ann):	$0.00
Dividend Yield:	0.0%
Valuation:	$18 on DCF analysis



Dec Yr	1Q	2Q	3Q	4Q	FY Rev	1Q	2Q	3Q	4Q	FY EPS	P/E
2011A	0.0	0.0	0.0	0.0	0.0	--	--	--	--	($62.68)	NM
2012E	0.0A	0.0	0.0	0.0	0.0	($25.33)A	($15.80)	($0.68)	($0.67)	($5.24)	NM
2013E	$19.7	$21.1	$23.1	$24.5	$88.3	($1.13)	$0.22	$0.30	$0.31	($0.30)	NM
2014E	--	--	--	--	$126.1	--	--	--	--	$2.90	3.6x

Source: Company Information and Leerink Swann LLC Research
Revenues in millions. HPTX completed an IPO on 7/31/12.

Please refer to pages 12 - 15 for Important Disclosures, Price Charts and Analyst Certification.

INVESTMENT THESIS

We believe that HPTX shares present an attractive opportunity to invest in the orphan drug business model and rate the stock Outperform. Lead agent Ravicti is in late-stage development for urea cycle disorders (UCD) and hepatic encephalopathy (HE), two rare diseases characterized by elevated levels of ammonia in the bloodstream, which can cause significant neurological complications. HPTX generated positive Phase III data for Ravicti in adult urea cycle disorder patients pursuant to a special protocol assessment (SPA) and has a PDUFA date of 1/23/13. HPTX has also completed Phase II trials for Ravicti in HE with an end-of-Phase II meeting planned in 4Q:12. Ravicti has a similar mechanism of action to MRX's FDA-approved Buphenyl, the use of which is constrained by a large dose burden, frequent (3-6 times/day) administration, unpleasant taste and smell, tolerability issues, and high sodium content. Easier patient compliance to Ravicti therapy may enable better disease management ultimately translating into fewer hyperammonemic (HA) crises relative to what is currently available with Buphenyl. The rate of HA crises with Ravicti was 40% lower than that seen for Buphenyl in the 12-month safety extension study following HPTX's pivotal Phase III trial. HPTX is led by seasoned orphan drug company executives who have stayed close to key physicians and patient support organizations who are expected to influence Ravicti uptake. HPTX expects to launch Ravicti in early 2013 with a field staff of 10 people and 10 individuals running back-office operations. We project that HPTX achieves breakeven by 2014 and generates peak sales around $150MM in UCD in 2019. HPTX may influence the conversion and expansion of the UCD market since the company has the option to purchase worldwide rights to Buphenyl and Ammonul from MRX for $22MM, which may be funded by drawing on a loan commitment from MRX. HE presents an upside market opportunity of around $500MM, in our estimation. In contrast to SLXP's Xifaxan, which blocks nitrogen absorption in the gut for HE patients, Ravicti lowers ammonia systemically by increasing its clearance. Ravicti could thus potentially be complementary to currently approved agents that limit the local production of ammonia. HPTX completed a Phase II clinical study of similar design to the pivotal trial used to evaluate Xifaxan, the only therapy approved by the FDA for episodic HE within the last 30 years. Phase II data indicate that Ravicti may have superior efficacy compared to Xifaxan and may improve outcomes when given in combination.

VALUATION

Our 12-month fair value estimate for HPTX is $18/share based on discounted cash flow (DCF) analysis. We assume a 12% discount rate and 5% terminal growth rate. We discount free cash flow until early 2020E, when orphan drug exclusivity for Ravicti for treating UCD expires.

RISKS TO VALUATION

The key risks to HPTX's valuation include the potential for disappointing clinical data, regulatory setbacks, and commercial and financial shortfalls. Since HPTX presently has only one late-stage product candidate, any of those possible setbacks may impact the stock significantly.

LEERINK SWANN

TRENDS IN THE TREATMENT OF HEPATIC ENCEPHALOPATHY

Respondent Distribution	
Specialties	Gastroenterology and Colorectal Surgery
Trends	Gastrointestinal Disorders
Number of Respondents	52 Gastroenterologists
Respondent Distribution	United States
Survey Date	September 2012

Geographic Distribution
Source: Google Maps

Responses represent an average of the aggregate response (n=52).

Inclusion Criteria

Screener 1: What best describes your primary specialty?

81.3%	Gastroenterologist
18.8%	Colorectal surgeon
0.0%	General Practitioner
0.0%	Other

Screener 2: Are you currently treating patients with hepatic encephalopathy (HE)?

100.0%	Yes
0.0%	No

Patient Population Background

1. What percentage of your current (August 2012) monthly Xifaxan prescriptions is for the treatment of the following diseases?

11.4%	Traveler's diarrhea
48.6%	Hepatic encephalopathy
30.5%	IBS-D
7.0%	Crohn's disease
2.6%	Other: C. diff (2x): *Pouchitis (1x); SBBO (1x); other IBD (1x); bloating and distention (1x); small bowel overgrowth (1x); IBS – bloating (1x)*

Hepatic Encephalopathy (HE)

2. What percentage of your current HE patients are on the following therapies for treatment and prevention of overt HE? What percentage do you plan to manage with the following therapies 12 months from today?

	Current (Aug 2012)	12 months from today (Aug 2013)
Lactulose	52.4%	45.4%
Neomycin	8.3%	6.5%
Xifaxan	34.7%	43.7%
Other: *Flagyl (1x); dual therapy (1x); low protein diet (1x); lifestyle changes (1x);*	1.2%	1.2%

No therapy	3.4%	3.3%

If you indicated one of the drugs will lose patient share, please explain.

Please see Appendix for summary of responses.

3. What percentage of your HE patients are candidates for Xifaxan?

63.0%	Percent of my HE patients who are candidates for Xifaxan – **MEAN**
70.0%	Percent of my HE patients who are candidates for Xifaxan – **MEDIAN**

Please briefly describe which patients would (or would not) be best suited for Xifaxan therapy.

Please see Appendix for summary of responses.

4. What do you expect will be your peak Xifaxan penetration in your HE patients? In how many years from today do you expect Xifaxan to roughly (within 2-3%) reach its peak penetration rate in HE patients?

Mean	**Median**	
56.5%	60.0%	Percent peak penetration of total HE patients
2.5	2.0	Length of time for Xifaxan to reach peak penetration (in years)

5. On average, approximately for how many months do you prescribe Xifaxan to your HE patients?

7.4	Number of months I prescribe Xifaxan to HE patients (max 12)

6. Do you expect to change your duration of Xifaxan treatment for HE? If so, please quantify (in months) any planned changes in your duration of therapy.

19.2%	Increase months
78.8%	No change
1.9%	Decrease months
9.2	*Overall number of months of new duration*

7. Please indicate your level of familiarity with Ravicti (HPN100/Glycerol Phenylbutyrate).

1.9%	Clinical investigator in trials
17.3%	Familiar with data, not a clinical investigator
25.0%	Previously heard of product but not familiar with the data
55.8%	Not previously heard of drug

Ravicti product profile:
http://files.shareholder.com/downloads/AMDA-1412CE/2053323029x0x585577/00e94c1f-d966-4ec7-8359-235c3177ae5d/HPTX_News_2012_6_6_General_Releases.pdf)

8. How do you view the overall efficacy profile of Ravicti in treating HE patients?

5.8%	Very efficacious – supports extensive use
36.5%	Modestly efficacious – supports modest use
0.0%	Ineffective – does not support use
57.7%	Unfamiliar – do not know

Please briefly comment.

Please see Appendix for summary of responses.

9. What percentage of your HE patients do you believe would be candidates for Ravicti, assuming FDA approval?

19.5%	Percent of my HE patients who are candidates for Ravicti, assuming FDA approval

10. What percentage of your HE patients do you believe are not well controlled by currently available therapeutics?

26.3%	Percent of my HE patients who are not well controlled by currently available therapeutics

Appendix. Summary of responses.

Question 2: If you indicated one of the drugs will lose patient share, please explain.

15	Lactulose will lose market share over time
19	Increase use of Xifaxan
21	Increase use of Xifaxan
22	Less use of Lactulose because of side effects and better efficacy of Xifaxan
25	Lactulose is not acceptable because of taste and gas for many patients
26	Xifaxan will be more appropriate than Lactulose or Neomycin, more effective, better compliance.
27	Lactulose flatulence limits long-term compliance
32	Better coverage for Rifaximin
34	Xifaxan easier to take and less side effects
35	Will use less Lactulose as believe Xifaxan is more efficacious and safer
38	Onset of newer therapy
40	Xifaxan is so much better than Lactulose re patient compliance BUT insurance is a major barrier
43	Xifaxan preferable.
45	More effective therapy, increase use in combination
46	Fewer side effects with other meds
47	Neomycin, too toxic
52	The percent using each therapy needs to be allowed to add to more than 100%, because Lactulose is used in combination with the others.
54	More Solesta and bulking sphincter agents

Question 3: Please briefly describe which patients would (or would not) be best suited for Xifaxan therapy.

13	Intolerant of Lactulose or nonresponder
14	Patients with recurrent HE on Lactulose
15	The cost continues the biggest issue. If they can afford based on insurance and income, it is easy to take and tolerated well.
16	Intolerant or insufficiently controlled on Lactulose and have good Rx coverage
17	Pts unable to afford the medication
18	Those refractory to Lactulose
19	Lactulose resistant
20	Recurrent episodes on Lactulose
21	If Lactulose resistant
22	Insurance plays a large role unfortunately
23	Any patient with symptoms of HE
24	Patients who do not tolerate or are allergic to it
25	Essentially all HE patients would be candidates
26	Chronic/recurrent HE in cirrhosis; frequent admissions
27	Busy employed non-sedentary
28	Combative, refusing to take PO, moribund
29	Symptomatic
30	Conservative therapy should be used first before Xifaxan
31	Intolerant to Lactulose or where Lactulose is ineffective
32	Minimal HE, did not tolerate Lactulose or broke through while on it
34	Coverage limited
35	I would use Xifaxan on anyone with Hepatic Encephalopathy
36	The pt that do not tolerate or do not respond to Lactulose
37	Allergic reaction
38	Diabetics
39	Xifaxan is the most effective medication for HE
40	Lactulose failures for sure; but I would prefer Xifaxan first-line for HE (both overt and minimal HE)
41	Cannot take oral meds.

42	No one can afford it or ins refuses to pay for it
43	Relapsers on Lactulose.
44	Patients who are non compliant or does not respond to Lactulose but has good renal function
45	Comatose, overwhelming sepsis
46	Those that can afford it
47	Moderate encephalopathy
48	Those that are compliant with their regimen
50	Most would benefit, but it's too expensive
51	Most all really, but if controlled completely by Lactulose probably not
52	Those who have had at least one breakthrough episode of encephalopathy despite Lactulose.
53	All pts if they could afford the medication or their insurance co would approve it
54	Very mild HE
55	Failure of Lactulose
56	HE patients with insurance coverage
58	Those that did not respond to treatment with Lactulose
59	Pts. with HE who are not contraindicated antibiotic treatment.
60	Need good insurance
61	Some have very high copay for Xifaxan and are not candidates.
62	It depends on the insurance Plan
63	Mild
64	Those unresponsive to other meds

Question 8: How do you view the overall efficacy profile of Ravicti in treating HE patients? Please briefly comment.

14	Seems to provide comparable efficacy to Lactulose
15	I am not familiar with the product. I am always reluctant but if it is safe, will consider use.
16	Do not have enough data to conclude
17	No experience yet
18	Good data but too early in clinical trials
19	Better than placebo in trials
20	Better than placebo with decrease episode of HE
21	Small number of patients but better than placebo
25	Not clear how this compares to Xifaxan
27	Best spin cuts HSE episodes in half, worst it only benefits a 15% spread
29	Safety, cost, side effects
30	It's somewhat more efficacious than placebo so I support some use.
40	Better than sodium phenyl butyrate but only incremental
44	I have not heard of this medication
45	Need further data to make clear impression
46	Need more study info to make a constructive comment
48	I think this is what the data shows
52	Modest benefit from a phase 2 trial if I recall. I would consider using it instead of neomycin.
54	Seems equivalent to Xifaxan
56	Improved encephalopathy
57	Looks like it will be very beneficial.
59	It lowers ammonia in the blood.
60	Very new, am unaware of specific indications
61	Don't know about this drug much.
62	Seems like a good drug
64	Not sure it works all that well

HPTX P&L ($MM)	2010	2011	1Q12	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E
Revenue	-	-	-	-	-	-	-	19.7	21.1	23.1	24.5	88.3	126.1	147.0
COGS	-	-	-	-	-	-	-	3.0	3.2	3.5	3.7	13.2	18.9	22.1
R&D	23.1	17.2	8.9	3.0	3.5	4.0	19.4	5.0	5.0	5.0	5.0	20.0	25.2	29.4
SG&A	3.5	8.9	2.3	3.0	4.0	7.0	16.3	8.0	8.5	9.0	10.0	35.5	31.5	36.8
Operating expenses	26.6	26.2	11.2	6.0	7.5	11.0	35.7	16.0	16.7	17.5	18.7	68.7	75.6	88.2
Operating income	(26.6)	(26.2)	(11.2)	(6.0)	(7.5)	(11.0)	(35.7)	3.7	4.4	5.6	5.8	19.6	50.4	58.8
Interest income	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.1	0.9	1.4
Interest expense	(0.0)	(2.6)	(1.0)	(1.4)	(0.6)	(0.2)	(3.3)	(0.5)	(0.7)	(0.7)	(0.7)	(2.6)	(2.9)	(1.4)
Other income (expense)	1.1	(0.7)	0.4	-	-	-	0.4	(22.0)	-	-	-	(22.0)	-	-
EBT	(25.5)	(29.4)	(11.9)	(7.4)	(8.0)	(11.1)	(38.4)	(18.7)	3.7	4.9	5.1	(5.0)	48.5	58.8
Tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(25.5)	(29.4)	(11.9)	(7.4)	(8.0)	(11.1)	(38.4)	(18.7)	3.7	4.9	5.1	(5.0)	48.5	58.8
Diluted EPS	**(61.70)**	**(62.68)**	**(25.33)**	**(15.80)**	**(0.68)**	**(0.67)**	**(5.24)**	**(1.13)**	**0.22**	**0.30**	**0.31**	**(0.30)**	**2.90**	**3.50**
Basic shares outstanding	0.4	0.5	0.5	0.5	11.8	16.6	7.3	16.6	16.6	16.6	16.6	16.6	16.7	16.8

HPTX BS	2010	2011	1Q12	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E
Cash	**6.6**	**7.0**	**3.7**	**6.6**	**52.5**	**41.9**	**41.9**	**46.2**	**51.0**	**57.1**	**63.4**	**63.4**	**117.5**	**160.9**
Debt	**-**	**23.4**	**30.7**	**40.7**	**10.0**	**10.0**	**10.0**	**32.0**	**32.0**	**32.0**	**32.0**	**32.0**	**32.0**	**-**
Convertible notes	-	23.4	30.7	30.7	-	-	-	-	-	-	-	-	-	-
Venture debt	-	-	-	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	-
Ucyclyd loan	-	-	-	-	-	-	-	22.0	22.0	22.0	22.0	22.0	22.0	-

HPTX CFS	2010	2011	1Q12	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E
Change in cash	**(3.5)**	**0.4**	**(3.3)**	**2.9**	**45.9**	**(10.6)**	**34.9**	**4.3**	**4.8**	**6.0**	**6.3**	**21.4**	**54.1**	**43.4**
Cash from operations	**(25.9)**	**(24.5)**	**(10.7)**	**(7.1)**	**(7.6)**	**(10.6)**	**(36.0)**	**(17.7)**	**4.8**	**6.0**	**6.3**	**(0.6)**	**54.1**	**65.4**
Net Income	(25.5)	(29.4)	(11.9)	(7.4)	(8.0)	(11.1)	(38.4)	(18.7)	3.7	4.9	5.1	(5.0)	48.5	58.8
SOE	0.2	0.3	0.1	0.3	0.4	0.6	1.3	1.0	1.1	1.1	1.2	4.4	5.7	6.6
Other	(0.6)	4.5	1.1	-	-	-	1.1	-	-	-	-	-	-	-
Cash from investing	**(0.0)**	**(0.0)**	**(0.1)**	**-**	**-**	**-**	**(0.1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Option to purchase Buphenyl	-	-	(0.3)	-	-	-	(0.3)	-	-	-	-	-	-	-
Other	(0.0)	(0.0)	0.2	-	-	-	0.2	-	-	-	-	-	-	-
Cash from financing	**22.4**	**25.0**	**7.6**	**10.0**	**53.5**	**-**	**71.0**	**22.0**	**-**	**-**	**-**	**22.0**	**-**	**(22.0)**
Issuance (buyback) shares	22.5	-	(0.0)	-	53.5	-	53.4	-	-	-	-	-	-	-
Issuance (repay) debt	-	25.0	7.5	10.0	-	-	17.5	22.0	-	-	-	22.0	-	(22.0)
Other	(0.0)	-	0.1	-	-	-	0.1	-	-	-	-	-	-	-

Source: SEC filings and Leerink Swann Estimates

UCD Scenario 3: Ravicti approved in HE	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Total US UCD pts diagnosed	1,000	1,002	1,004	1,006	1,009	1,005	1,014	1,022	1,031	1,040	1,049	1,058
Total untreated pts	575	576	577	579	580	578	583	588	593	598	603	608
patients < age 6	161	161	162	162	162	162	163	165	166	167	169	170
patients age 6-17	184	184	185	185	186	185	187	188	190	191	193	195
adults	230	230	231	231	232	231	233	235	237	239	241	243
Total Buphenyl treated pts	425	426	427	428	429	427	431	435	438	442	446	450
patients < age 6	119	119	120	120	120	120	121	122	123	124	125	126
patients age 6-17	136	136	137	137	137	137	138	139	140	141	143	144
adults	170	170	171	171	171	171	172	174	175	177	178	180
Untreated pts on Ravicti	-	12	23	35	46	29	87	118	119	120	121	122
penetration, patients < age 6	0%	2%	4%	6%	8%	5%	15%	20%	20%	20%	20%	20%
penetration, patients age 6-17	0%	2%	4%	6%	8%	5%	15%	20%	20%	20%	20%	20%
penetration, adults	0%	2%	4%	6%	8%	5%	15%	20%	20%	20%	20%	20%
Prior Buphenyl treated pts on Ravicti	-	85	107	150	171	128	323	435	438	442	446	450
penetration, patients < age 6	0%	20%	25%	35%	40%	30%	75%	100%	100%	100%	100%	100%
penetration, patients age 6-17	0%	20%	25%	35%	40%	30%	75%	100%	100%	100%	100%	100%
penetration, adults	0%	20%	25%	35%	40%	30%	75%	100%	100%	100%	100%	100%
Total Ravicti pts	-	97	130	184	218	157	411	552	557	562	566	571
Avg cost/pt($mm)	-	0.063	0.063	0.063	0.063	0.250	0.250	0.250	0.070	0.070	0.070	0.070
Ravicti US sales in UCD ($MM)	**-**	**6**	**8**	**12**	**14**	**39**	**103**	**138**	**39**	**39**	**40**	**40**

Buphenyl Model Private Payors	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Patients on Buphenyl	425	341	320	278	257	299	108	-	-	-	-	-
Branded Buphenyl market private payor	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*10%*	*0%*	*0%*
Avg cost/pt	0.056	0.063	0.063	0.063	0.063	0.250	0.250	0.250	0.070	0.070	0.070	0.070
Buphenyl US sales in UCD ($MM)	**10**	**9**	**8**	**7**	**6**	**30**	**11**	**-**	**-**	**-**	**-**	**-**

Buphenyl Model Medicare/Medicaid	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Patients on Buphenyl	425	341	320	278	257	299	108	-	-	-	-	-
Branded Buphenyl market public payor	*60%*	*60%*	*60%*	*60%*	*60%*	*60%*	*60%*	*60%*	*60%*	*10%*	*0%*	*0%*
Avg cost/pt	0.056	0.014	0.014	0.014	0.014	0.056	0.056	0.056	0.056	0.056	0.056	0.056
Buphenyl US sales in UCD ($MM)	**14**	**3**	**3**	**2**	**2**	**10**	**4**	**-**	**-**	**-**	**-**	**-**

Total Buphenyl US sales ($MM)	**24**	**11**	**11**	**9**	**9**	**40**	**14**	**-**	**-**	**-**	**-**	**-**

Ammunol US sales ($MM)	**9**	**2**	**2**	**2**	**2**	**9**	**9**	**9**	**9**	**-**	**-**	**-**

Ravicti for HE	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Total US HE pts diagnosed	140,000	140,297	140,594	140,892	141,190	140,743	141,939	143,146	144,363	145,590	146,827	148,075
Total severe HE patients	28,000	28,059	28,119	28,178	28,238	28,149	28,388	28,629	28,873	29,118	29,365	29,615
% severe HE patients	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*
% Ravicti patients	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*5%*	*10%*	*15%*	*25%*
Ravicti pts in HE	-	-	-	-	-	-	-	-	1,444	2,912	4,405	7,404
Avg cost/pt($mm)	-	-	-	-	-	-	-	-	0.070	0.070	0.070	0.070
Ravicti US sales in HE ($MM)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**101**	**204**	**308**	**518**

Total sales Ravicti + Buphenyl	**33**	**20**	**21**	**23**	**24**	**88**	**126**	**147**	**149**	**243**	**348**	**558**

Source: SEC filings and Leerink Swann Estimates

HPTX DCF (Scenario 1)	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	TV
FCF	(36)	(1)	54	65	46	44	45	46	24	2	
Discount periods	-	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	
NPV	(18)	(1)	54	65	46	44	45	46	24	2	14
Valuation	323										

Discount Rate	12%
Terminal Growth	5%

Valuation		Valuation	per shr	Probability	P/W
Scenario 1, Ravicti approved for UCD	1	323	$ 16.53	50%	**161**
Scenario 2, Ravicti NOT approved	2	73	$ 3.72	30%	**22**
Scenario 3, Ravicti approved for UCD and HE	3	611	$ 31.31	20%	**122**
Blended Valuation					**305**
Net cash					42.5
Diluted Shares Outstanding					19.5
Per share valuation					**$ 18**

Source: SEC filings and Leerink Swann Estimates

Hyperion Therapeutics, Inc. (HPTX) Expected Milestones			
Ravicti	UCD	PDUFA	1/23/2013
Ravicti	HE	End of Phase II meeting	4Q12
Ravicti	HE	Phase III initiation	1H13
Ravicti	HE	Phase III data	2014
Ravicti	HE	sNDA filing	2015
Ravicti	HE	sNDA approval	2016
Ravicti	UCD	Orphan drug expiration	1Q20
Ravicti	HE	Orphan drug expiration	2H21

Source: Company reports, Leerink Swann LLC estimates

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Disclosures Appendix

Analyst Certification

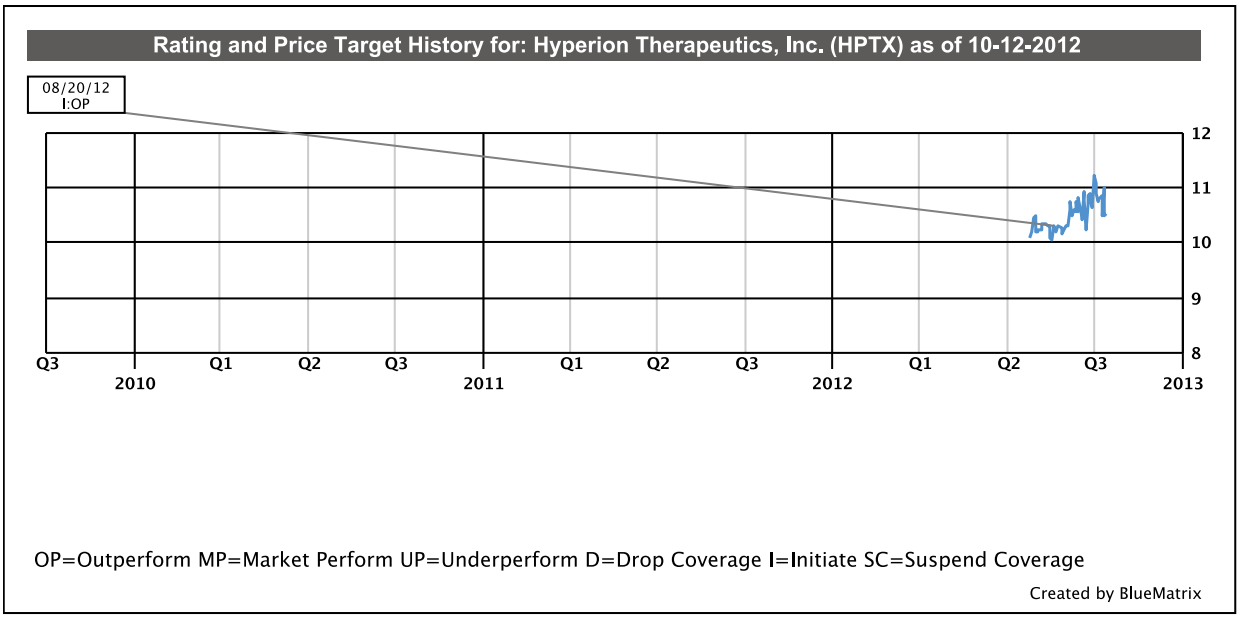
I, Joseph P. Schwartz, certify that the views expressed in this report accurately reflect my views and that no part of my compensation was, is, or will be directly related to the specific recommendation or views contained in this report.

Valuation

Our 12-month fair value estimate for HPTX is $18/share based on discounted cash flow (DCF) analysis. We assume a 12% discount rate and 5% terminal growth rate. We discount free cash flow until early 2020E, when orphan drug exclusivity for Ravicti for treating UCD expires.

Risks to Valuation

The key risks to HPTX's valuation include the potential for disappointing clinical data, regulatory setbacks, and commercial and financial shortfalls. Since HPTX presently has only one late-stage product candidate, any of those possible setbacks may impact the stock significantly.



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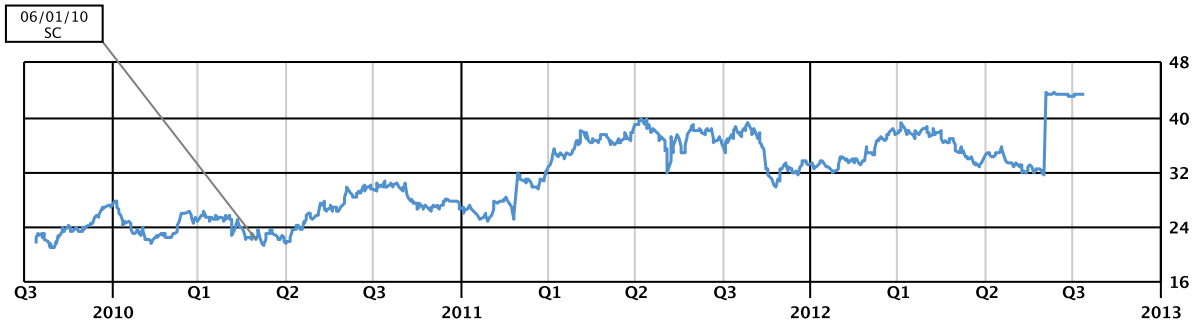
Rating and Price Target History for: Medicis Pharmaceutical Corp. (MRX) as of 10-12-2012

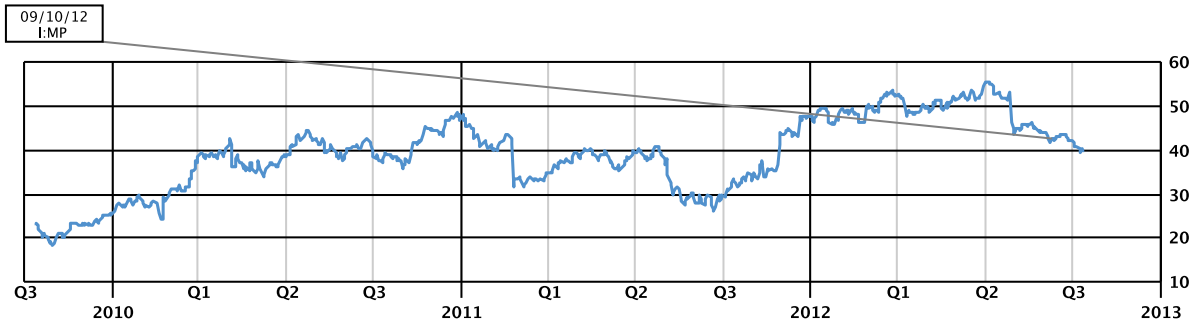


Leerink Swann placed a Market Perform rating on MRX on November 8, 2006.

OP=Outperform MP=Market Perform UP=Underperform D=Drop Coverage I=Initiate SC=Suspend Coverage

Created by BlueMatrix

Rating and Price Target History for: Salix Pharmaceuticals, Ltd. (SLXP) as of 10-12-2012



OP=Outperform MP=Market Perform UP=Underperform D=Drop Coverage I=Initiate SC=Suspend Coverage

Created by BlueMatrix

Distribution of Ratings/Investment Banking Services (IB) as of 09/30/12				
			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OP]	102	58.30	29	28.40
HOLD [MP]	73	41.70	3	4.10
SELL [UP]	0	0.00	0	0.00

Explanation of Ratings

Outperform (Buy): We expect this stock to outperform its benchmark over the next 12 months.

Market Perform (Hold/Neutral): We expect this stock to perform in line with its benchmark over the next 12 months.

Underperform (Sell): We expect this stock to underperform its benchmark over the next 12 months.The degree of outperformance or underperformance required to warrant an Outperform or an Underperform rating should be commensurate with the risk profile of the company.

For the purposes of these definitions the relevant benchmark will be the S&P 600® Health Care Index for issuers with a market capitalization of less than $2 billion and the S&P 500® Health Care Index for issuers with a market capitalization over $2 billion.

From October 1, 2006 through January 8, 2009, the relevant benchmarks for the above definitions were the Russell 2000® Health Care Index for issuers with a market capitalization of less than $2 billion and the S&P 500® Health Care Index for issuers with a market capitalization over $2 billion.

Definitions of Leerink Swann Ratings prior to October 1, 2006 are shown below:

Outperform (Buy): We expect this stock to outperform its benchmark by more than 10 percentage points over the next 12 months.

Market Perform (Hold/Neutral): We expect this stock to perform within a range of plus or minus 10 percentage points of its benchmark over the next 12 months.

Underperform (Sell): We expect this stock to underperform its benchmark by more than 10 percentage points over the next 12 months.

For the purposes of these definitions, the relevant benchmark were the Russell 2000® Health Care Index for issuers with a market capitalization of less than $2 billion and the S&P 500® Index for issuers with a market capitalization over $2 billion.

Important Disclosures

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Leerink Swann Consulting LLC, an affiliate of Leerink Swann LLC, is a provider of evidence-based strategy and consulting to the healthcare industry.

MEDACorp performed this survey on behalf of a Leerink Swann LLC analyst. The analyst in conjunction with MEDACorp developed the questions contained in the survey.

In the past 12 months, the Firm has received compensation for providing investment banking services to Hyperion Therapeutics, Inc.

Leerink Swann LLC makes a market in Hyperion Therapeutics, Inc. and Salix Pharmaceuticals, Ltd.

Leerink Swann LLC is willing to sell to, or buy from, clients the common stock of Medicis Pharmaceutical Corp. on a principal basis.

Leerink Swann LLC has acted as the manager for a public offering of Hyperion Therapeutics, Inc. in the past 12 months.

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