

Receptos

(RCPT-NASDAQ)

Stock Rating: Outperform
Industry Rating: Outperform

Meeting With Management Suggests Programs On Track

Event

The BMO Capital US biotechnology team hosted Receptos management at our corporate access event in Boston on Tuesday. The meeting with Chief Medical Officer (CMO) Dr. Sheila Gujrathi, CFO Graham Cooper, CSO Dr. Robert Peach focused on progress with selective S1P1 modulator RPC-1063 in RRMS and ulcerative colitis (UC) as well as plans for IL13 mAb RPC4046 in eosinophilic esophagitis (EoE). Overall, programs for RPC-1063 in RRMS and UC were described as on-track, with a decision on phase 3 initiation in RRMS expected by YE13 and with phase 2 data from both programs expected by mid-2014. RCPT remains confident in potential features of differentiation from GILENYA and other S1P modulators, including QT profile, blunted heart rate effects and reduced liver enzyme impact, and will base phase 3 initiation on aggregate safety data and early efficacy data.

Impact

We are reiterating our Outperform rating on shares of RCPT following our meeting with management. We continue to view RPC-1063 as a high-value asset with key features of differentiation that could support a \$1 billion-plus opportunity in RRMS alone. We expect significant upside on phase 3 initiation and in anticipation of phase 2 RRMS data with programs in UC and EoE providing further option value.

Forecasts

We estimate per share loss in 2013 of (\$7.13).

Valuation

Our \$22 price target is based on 25x 2020 EPS of \$2.49, discounted 20%.

Recommendation

We rate shares of RCPT stock as Outperform.

August 5, 2013

Biotechnology

Jim Birchenough, M.D.

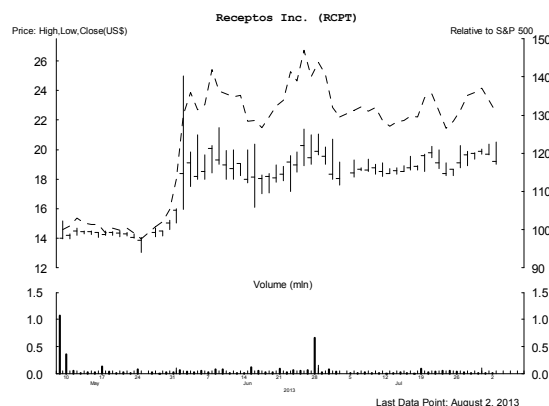
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Chuck Whitesell / Nick Abbott, PhD

Securities Info

Price (2-Aug)	\$19.22	Target Price	\$22
52-Wk High/Low	\$25/\$13	Dividend	--
Mkt Cap (mm)	\$352	Yield	--
Shs O/S (mm, BASIC)	18.3	Float O/S (mm)	5.5
Options O/S (mm)	na	ADVol (30-day, 000s)	53

Price Performance



Valuation/Financial Data

(FY-Dec.)	2011A	2012A	2013E	2014E
EPS GAAP	-\$1.04	-\$0.28	-\$7.13↓	-\$4.63
P/E			nm	nm
First Call Cons.			-\$2.72	-\$3.02
FCF	\$1.20	-\$18.40	-\$10.30	-\$30.80
P/FCF			nm	nm
EBITDA (\$mm)	-\$6	-\$18	-\$38	-\$96
EV/EBITDA			nm	nm
Rev. (\$mm)	\$9	\$9	\$2	\$0
EV/Rev			169.6x	nm
Quarterly EPS	1Q	2Q	3Q	4Q
2012A	na	na	na	na
2013E	-\$5.46A	-\$0.50	-\$0.56	-\$0.61

Balance Sheet Data (na)

Net Debt (\$mm)	-\$98	TotalDebt/EBITDA	nm
Total Debt (\$mm)	\$0	EBITDA/IntExp	na
Net Debt/Cap.	nm	Price/Book	30.0x

Notes: Quarterly EPS may not sum due to share count. All values in US\$.

Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

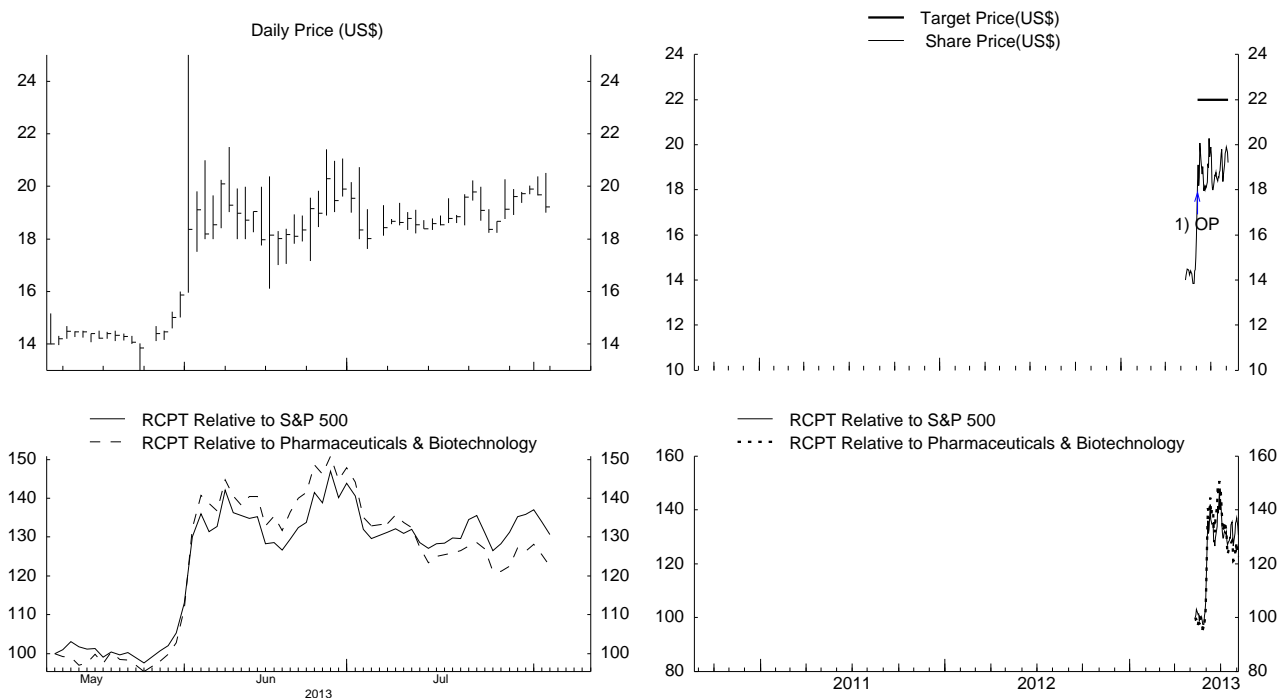
Changes	Annual EPS
	2013E -\$2.12 to -\$7.13

Exhibit 1: RCPT Income Statement 2012A-2020E

INCOME STATEMENT (\$M)	2012A	1Q13A	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
REVENUES													
Product Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51.4	\$ 142.6	\$ 212.7
Collaborative Revenue	8.6	1.5	-	-	-	1.5	-	57.0	93.0	87.0	43.0	28.0	27.8
Milestones, grant revenue and other	-	-	-	-	-	-	-	50.0	50.0	50.0	-	-	-
TOTAL REVENUES	\$ 8.6	\$ 1.5	\$ -	\$ -	\$ -	\$ 1.5	\$ -	\$ 115.0	\$ 155.0	\$ 145.0	\$ 106.4	\$ 182.6	\$ 252.5
EXPENSES (GAAP)													
Cost of Goods Sold (COGS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.6	\$ 7.1	\$ 10.6
R&D Expense	22.9	8.0	7.0	7.5	8.0	30.5	82.0	162.0	242.0	222.0	142.0	112.0	111.5
SG&A Expense	3.4	1.1	2.0	2.5	3.0	8.6	14.0	16.0	18.0	21.0	25.0	29.0	30.0
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	26.4	9.1	9.0	10.0	11.0	39.1	96.0	178.0	260.0	243.0	169.6	148.1	152.1
Operating Income	(17.7)	(7.6)	(9.0)	(10.0)	(11.0)	(37.6)	(96.0)	(63.0)	(105.0)	(98.0)	(63.2)	34.5	100.3
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	(17.7)	(7.6)	(9.0)	(10.0)	(11.0)	(37.6)	(96.0)	(63.0)	(105.0)	(98.0)	(63.2)	34.5	100.3
Interest and other income	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1
Interest and other expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income (Expense)	(0.0)	(2.1)	-	-	-	(2.1)	-	-	-	-	-	-	-
Interest and Other Income (Expense)	-	(2.1)	0.0	0.0	0.0	(2.0)	0.1	0.1	0.1	0.1	0.1	0.0	0.1
Pre-Tax Income	(17.7)	(9.6)	(9.0)	(10.0)	(11.0)	(39.6)	(95.9)	(62.9)	(104.9)	(97.9)	(63.1)	34.5	100.5
Income Taxes	-	-	-	-	-	-	-	-	-	2.4	-	8.6	25.1
Net Income (GAAP)	\$ (17.7)	\$ (9.6)	\$ (9.0)	\$ (10.0)	\$ (11.0)	\$ (39.6)	\$ (95.9)	\$ (62.9)	\$ (104.9)	\$ (100.3)	\$ (63.1)	\$ 25.9	\$ 75.3
EPS (GAAP) (basic)	\$ (0.28)	\$ (5.46)	\$ (0.50)	\$ (0.56)	\$ (0.61)	\$ (7.13)	\$ (4.63)	\$ (2.73)	\$ (4.10)	\$ (3.53)	\$ (2.11)	\$ 0.86	\$ 2.49
EPS (GAAP) (diluted)	\$ (0.28)	\$ (5.46)	\$ (0.50)	\$ (0.56)	\$ (0.61)	\$ (7.13)	\$ (4.63)	\$ (2.73)	\$ (4.10)	\$ (3.53)	\$ (2.11)	\$ 0.86	\$ 2.49
Total of Reconciliation Items	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Non-GAAP)	\$ (3.9)	\$ (9.6)	\$ (9.0)	\$ (10.0)	\$ (11.0)	\$ (39.6)	\$ (95.9)	\$ (62.9)	\$ (104.9)	\$ (100.3)	\$ (63.1)	\$ 25.9	\$ 75.3
Impact of Adjustments to EPS	-	-	-	-	-	-	-	-	-	-	-	-	-
EPS (Non-GAAP) (basic)	\$ (0.06)	\$ (5.46)	\$ (0.50)	\$ (0.56)	\$ (0.61)	\$ (7.13)	\$ (4.63)	\$ (2.73)	\$ (4.10)	\$ (3.53)	\$ (2.11)	\$ 0.86	\$ 2.49
EPS (Non-GAAP) (diluted)	\$ (0.06)	\$ (5.46)	\$ (0.50)	\$ (0.56)	\$ (0.61)	\$ (7.13)	\$ (4.63)	\$ (2.73)	\$ (4.10)	\$ (3.53)	\$ (2.11)	\$ 0.86	\$ 2.49
Weighted average shares outstanding (basic)	62.7	1.8	17.9	17.9	17.9	13.9	20.5	23.1	25.6	27.6	30.0	30.1	30.2
Weighted average shares outstanding (diluted)	62.7	1.8	17.9	17.9	17.9	13.9	20.5	23.1	25.6	27.6	30.0	30.1	30.2

Source: Company reports and BMO Capital Markets.

Receptos Inc. (RCPT)



RCPT - Rating as of 8-May-13 = NR

Date	Rating Change	Share Price
1 3-Jun-13	NR to OP	\$15.87

Last Daily Data Point: August 2, 2013

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Distribution of Ratings (June 30, 2013)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	37.9%	17.6%	52.7%	39.6%	51.0%	53.2%
Hold	Market Perform	56.8%	10.2%	45.9%	53.9%	45.5%	41.1%
Sell	Underperform	5.3%	3.2%	1.4%	6.5%	3.5%	5.6%

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Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis;

Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;

(S) = Speculative investment;

NR = No rating at this time; and

R = Restricted – Dissemination of research is currently restricted.

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