

Receptos

(RCPT-NASDAQ)

Stock Rating: Outperform
Stock Price: \$22.70
Target Price: \$41.00

Thursday, December 5, 2013
Biotechnology

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RPC1063 Differentiation Supports Phase 3 Initiation

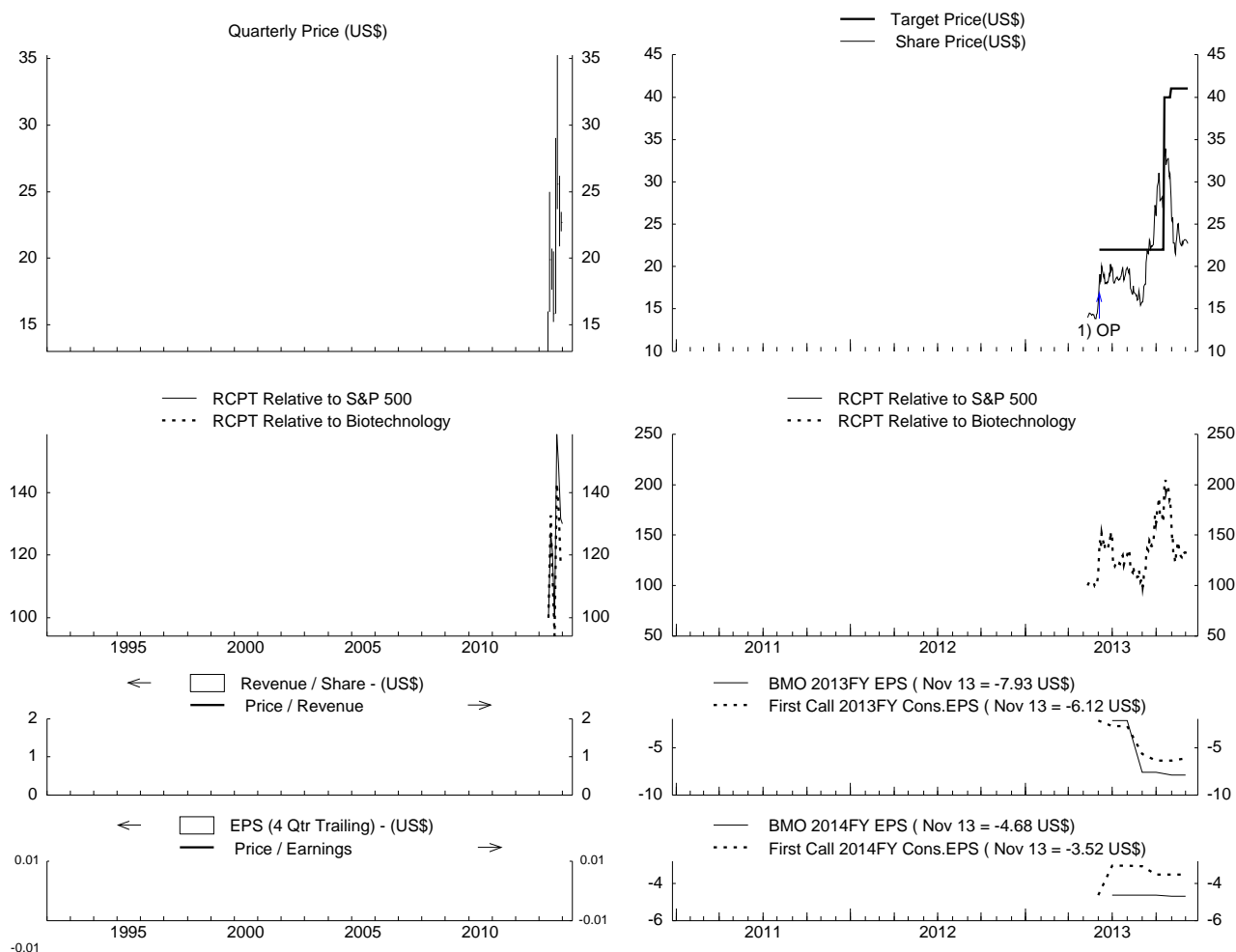
Receptos (RCPT) announced this morning plans to initiate a phase 3 trial of S1PR modulator RPC1063 in patients with relapsing multiple sclerosis (RMS) following interim analysis of an ongoing randomized phase 2 study. Interim results from the 210+ patient study were described as supporting the drug's differentiation profile vs. approved S1PR modulator GILENYA and consistent with prior data. With 3 months of follow-up on all patients, clinical activity and reduction in lymphocyte count were described as consistent with other S1PR modulators. Adverse event profile was described as no different from placebo with no serious adverse events (SAEs) seen. Heart rate changes were described as modest and a low rate of liver enzyme elevations were noted. Based on interim phase 2 results, and recommendation of the data monitoring committee (DMC), RCPT will initiate a 1,200 patient head-to-head study vs. AVONEX and will present phase 2 data by mid-2014. A separate phase 2 study in ulcerative colitis will also report data in mid-2014.

Our View:

- Feedback from RCPT this morning suggests confidence in a differentiated profile for RPC1063 vs. approved S1PR modulator GILENYA, in terms of heart rate effects and liver enzyme elevations.
- Based on prior data for RPC1063, we believe that no reduction in heart rate was seen, but rather a blunting of early morning heart rate rise and with no more than a 3-4 beat per minute (BPM) difference from placebo.
- We also believe that a lower rate of liver enzyme elevations > 3x ULN has been observed vs. what has been seen with GILENYA.
- We expect lymphocyte reductions in the 50% to 70% range to support clinical efficacy on par with GILENYA when results are reported in mid-2014.
- With ~\$2B in GILENYA sales and a differentiated profile we expect phase 2 data to attract significant large pharma interest and would be buyers of RCPT ahead of phase 2 RMS data in mid-2014, along with UC data and visibility on a separate program initiating in eosinophilic esophagitis (EoE).

Please refer to pages 2 to 5 for Disclosure Statements, including the Analyst's Certification.

Receptos Inc. (RCPT)



FYE (Dec.)	EPS US\$	P/E Hi - Lo	DPS US\$	Yield% Hi - Lo	Payout %	BV US\$	P/B Hi - Lo	ROE %	RCPT - Rating as of 8-May-13 = NR		
Range*:		na na		NC			>15 >15		Date	Rating Change	Share Price
Current*	0.00	na	0.00	0.0	na	4.3	5.4	0	1 3-Jun-13	NR to OP	\$18.36

* Current EPS is the 4 Quarter Trailing to Q3/2013.
 * Valuation metrics are based on high and low for the fiscal year.
 * Range indicates the valuation range for the period presented above.

Last Price (December 4, 2013): \$22.70
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

Important Disclosures

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Methodology: We arrive at our price target by applying a 25x multiple to 2020 EPS estimate of \$4.17 and discounting 20%.

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Distribution of Ratings (September 30, 2013)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
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Hold	Market Perform	59.4%	13.1%	51.1%	56.9%	50.2%	41.7%
Sell	Underperform	4.9%	3.4%	1.1%	6.4%	1.5%	5.6%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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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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