Receptos (RCPT)

Model Update: Changing IBD Landscape Leads Us To Increase Our RPC1063 Price Estimate and Peak Sales. Reiterate OUTPERFORM & Increasing FV to $44.

- **IBD market dynamics are changing with likely new entrants.** With several new entrants expected between now and 2019—including Millennium/Takeda's Vedolizumab which has demonstrated a strong clinical profile for the treatment of IBD (NEJM 369(8): 699; NEJM 369(8): 711; NEJM 369(8): 775) and may be approved by the FDA in H1:14. We understand Vedolizumab may be positioned after steroids and immunomodulators, to compete with anti-TNFs and anticipate premium pricing for Vedolizumab at about $45,000/patient/year.
- **As we presume RPC1063 is likely to be the first approved oral treatment for IBD, we are increasing our pricing to be at a premium to Vedolizumab for IBD and in-line with Gilenya for RMS**. We anticipate premium pricing for RPC1063—especially since it may become the first oral treatment for IBD. In addition, with Gilenya priced around $50,000-$60,000/patient/year for RMS, we have increased our RPC1063 pricing assumption to $55,000 in the USA in both IBD and RMS. This has increased our revenue projections and fair value.
- **Cash runway guidance into mid 2015--covers major clinical catalysts in 2014.** The company ended Q3 2013 with about $81 million in cash, investments, and equivalents. With runway into mid 2015, anticipated mid-2014 releases of transforming top-line Phase 2 results testing RPC1063 treatment of RMS and IBD/UC are covered. Presuming a commercial partner is on board, we project full-year profitability in 2019 after launching RPC1063 in RMS/IBD in Q4:18/Q1:19.
- **Next: interim Phase 2 results in Q4 and go/no go decision for first Phase 3 trial initiation.** Management previously indicated enrollment was completed in late October and following the interim look in Q4, the decision to initiate Phase 3 is a likely value inflection for the stock. With recent weakness following the 180 day IPO unlock, we recommend investors buy RCPT now as we view the decision to start Phase 3 is likely.
- **We reiterate our OUTPERFORM rating and our increasing our fair value to $44 due to increasing our RPC1063 price.** We calculate RCPT's fair value based on the sum of a 30% annual discount and a 1x-10x premium range on our net peak annual sales estimate for each product and indication in the clinic to reflect risk.

FYE Dec	2012E	2013E			2014E		
REV (M)	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	$1.3A	$1.5E		$0.4E	$1.0E	$0.2E	N/AE
Q2 Jun	1.7A	1.2E		0.4E	0.9E	0.2E	N/AE
Q3 Sep	1.8A	1.1E	0.6E	0.7E	0.8E	0.2E	N/AE
Q4 Dec	2.2E	1.1E	0.6E	0.6E	0.7E	0.2E	N/AE
Year*	**$7.0E**	**$5.0E**	**$3.8E**	**$4.3E**	**$3.4E**	**$0.7E**	**$5.7E**
Change	--	--			--		
	2012E	2013E			2014E		
EPS	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	($3.53)A	($5.46)E		($0.62)E	($0.97)E	($0.78)E	N/AE
Q2 Jun	(2.67)A	(0.98)E		(0.56)E	(1.02)E	(0.85)E	N/AE
Q3 Sep	(4.44)A	(0.88)E	(0.62)E	(0.61)E	(1.07)E	(0.89)E	N/AE
Q4 Dec	(0.53)E	(0.88)E	(0.69)E	(0.81)E	(1.08)E	(0.92)E	N/AE
Year*	**($5.86)E**	**($4.28)E**	**($3.59)E**	**($5.95)E**	**($4.13)E**	**($3.44)E**	**($3.34)E**
P/E	NMx	NMx			NMx		
Change	--	--			--		

Consensus estimates are from Thomson First Call.
** Numbers may not add up due to rounding.*

November 18, 2013

Price
$24.01

Rating
OUTPERFORM

Fair Value Estimate
$44 **(from $26)**

Liana Moussatos, Ph.D.
(415) 263-6626
liana.moussatos@wedbush.com

Richard Lau, CFA
(415) 274-6851
richard.lau@wedbush.com

Company Information

Shares Outst (M)	18.3
Market Cap (M)	$440
52-Wk Range	$13.00 - $35.26
Book Value/sh	$2.65
Cash/sh	$3.45
Enterprise Value (M)	$377
LT Debt/Cap %	8.36

Company Description

Receptos is developing first- and best-in-class treatments for immune disorders. The lead candidate, RPC1063, is being developed as a safer S1P1 modulator versus GILENYA(TM) for multiple sclerosis as well as for IBD.

Source: Thomson Reuters

INVESTMENT THESIS: *Receptos, located in San Diego, CA, is an emerging biopharmaceutical company developing first-in-class and best-in-class drug candidates for large market opportunities and rare diseases. The company's lead product, RPC1063, is a sphingosine 1-phosphate (S1P1R) receptor modulator being developed as an orally-dosed treatment candidate being tested in a Phase 2/3 clinical trial for relapsing multiple sclerosis (RMS) and in a Phase 2 trial for inflammatory bowel disease (IBD). The second treatment candidate, RPC4046, is an anti-IL13 monoclonal antibody being developed as a potential treatment for an allergic/immune orphan disease called Eosinophilic Esophagitis (EoE). We believe clinical risk is lower than normal as RPC1063 has the same disease target as Novartis's approved RMS treatment Gilenya, but has a better safety profile and best-in-class potential. RPC4046 offers an orphan drug opportunity for Receptos to develop its own sales force. We believe execution risk is lower than normal as we consider management to have higher-than-normal knowledge and experience in the pharmaceutical industry—especially in multiple sclerosis. The CEO was successful at not only developing daclizumab, but also increasing value for FACET and making it an acquisition target for ABT. In addition, we view the rest of the management team as being top tier. Receptos ended Q3:13 with about $81 million in cash and management projects runway into H2 2015, which includes an interim look in the ongoing Phase 2 RMS trial in Q4:13, potential decision to initiate the Phase 3 RMS trial in 2014, and top-line results from the ongoing Phase 2 trial testing RPC1063 treatment of RMS as well as IBD in mid-2014. We anticipate RPC1063 is likely to achieve clinical success and regulatory approval and could reach gross peak annual worldwide sales of over $4 billion for RMS and over $950 million for IBD. We also project RPC4046 treatment of EoE could reach over $1 billion in gross peak annual worldwide sales with premium orphan drug pricing and the oral GLP-1 candidate could reach gross peak WW sales of over $5 billion. If successful in Phase 2, we believe any of these candidates are likely to attract a partner and could trigger RCPT's acquisition.*

Figure 1: RECEPTOS MODEL UPDATE

Receptos, Inc. (NASDAQ: RCPT)
Historical and Projected Income Statement
(In thousands except per share data)

Wedbush Pac Grow Life Sciences
Liana Moussatos, Ph.D.
Richard Lau

	2012A	2013E					2014E	2015E	2016E	2017E	2018E	2019E
	FY:12A	Q1A	Q2A	Q3A	Q4	FY:13E	FY:14E	FY:15E	FY:16E	FY:17E	FY:18E	FY:19E
Gross Sales												
RPC1063	-	-	-	-	-	-	-	-	-	$ -	$ 9,222	$ 360,468
RMS	-	-	-	-	-	-	-	-	-	-	9,222	224,248
IBD/UC	-	-	-	-	-	-	-	-	-	-	-	136,220
Total Gross Sales	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,222	$ 360,468
Revenues:												
Net Product Sales	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,565	$ 177,562
RPC1063	-	-	-	-	-	-	-	-	-	$ -	$ 4,565	$ 177,562
RMS	-	-	-	-	-	-	-	-	-	-	4,565	110,133
IBD/UC	-	-	-	-	-	-	-	-	-	-	-	67,429
Collaborative Revenue	8,647	1,488	1,238	1,142	1,113	4,981	3,443	2,259	1,463	1,209	1,378	1,350
Ono Pharmaceutical	4,372	1,488	1,238	1,142	1,113	4,981	3,443	2,259	1,463	1,209	1,378	1,350
Eli Lilly	2,500	-	-	-	-	-	-	-	-	-	-	-
Ortho-McNeil-Janssen	99	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Revenues	$ 6,971	$ 1,488	$ 1,238	$ 1,142	$ 1,113	$ 4,981	$ 3,443	$ 2,259	$ 1,463	$ 1,209	$ 5,943	$ 178,912
Cost and Expenses:												
Cost of Goods	-	-	-	-	-	-	-	-	-	-	-	10,380
R&D	22,927	8,020	9,441	13,500	14,175	45,136	66,518	34,643	40,527	47,411	55,464	64,886
(S)G&A	3,430	1,062	1,589	3,050	3,172	8,873	13,008	13,537	14,086	14,658	62,097	94,275
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	$ 24,650	$ 9,082	$ 11,030	$ 16,550	$ 17,347	$ 54,009	$ 79,526	$ 48,180	$ 54,614	$ 62,069	$ 117,561	$ 169,541
Operating Income (Loss)	(17,680)	(7,594)	(9,792)	(15,408)	(16,235)	(49,029)	(76,083)	(45,920)	(53,151)	(60,860)	(111,618)	9,371
Net Interest Income (Expense)/Other Income	16	1	(126)	(157)	46	(236)	115	29	(102)	(275)	(479)	(664)
Other Income (Expense)	(21)	(2,056)	-	-	-	(2,056)	-	-	-	-	-	-
Income Before Income Taxes	$ (17,685)	$ (9,649)	$ (9,918)	$ (15,565)	$ (16,188)	$ (51,320)	$ (75,968)	$ (45,891)	$ (53,253)	$ (61,135)	$ (112,097)	$ 8,707
Provision (Benefit) for Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss)	$ (17,685)	$ (9,649)	$ (9,918)	$ (15,565)	$ (16,188)	$ (51,320)	$ (75,968)	$ (45,891)	$ (53,253)	$ (61,135)	$ (112,097)	$ 8,707
EPS (GAAP,Taxed,Diluted)	($5.86)	($5.46)	($0.98)	($0.88)	($0.88)	($4.28)	($4.13)	($2.48)	($2.86)	($3.27)	($5.96)	$0.46
Weighted Shares Outstanding (Basic and Diluted)	3,020	1,767	10,151	17,715	18,338	11,993	18,400	18,500	18,600	18,700	18,800	18,900
Total Shares Outstanding (Diluted)	8,367	2,299	10,151	17,715	18,338	12,126	18,400	18,500	18,600	18,700	18,800	18,900
Cash	*$5,427*	*$18,312*	*$91,146*	*$80,781*	*$67,779*	*$67,779*	*$28,204*	*($5,851)*	*($80,004)*	*($141,139)*	*($253,612)*	*($252,569)*
Net Cash per share	*$1.80*	*$10.36*	*$8.50*	*$4.29*	*$3.45*	*$5.28*	*$0.08*	*($1.45)*	*($4.30)*	*($7.55)*	*($13.49)*	*($13.36)*
Annual (Burn)/Generation	*($5,909)*					*$62,352*	*($39,575)*	*($34,055)*	*($74,153)*	*($61,135)*	*($112,472)*	*$1,043*

Source: Company data, Wedbush Securities, Inc.

Q3 2013 Financials Update. Receptor reported $1.1MM in collaborative revenues and $(0.88) net loss with about 17.7MM shares and ended Q3 with about $80.8MM in cash and equivalents. The company guided to having runway into mid-2015 with existing cash and the remaining $25MM venture debt from MidCap Financial. We have incorporated reported Q3 financials into our model and have updated our projections for cash runway to include utilizing the remaining debt in Q3 2014. We have also adjusted our collaborative revenue projections to be more in-line with those reported. We have also adjusted our operating expense projections to be in-line with cash runway guidance as well as our view that a partnership is likely to occur around year-end 2014/early 2015 and substantially decrease burn. We have also increased our revenue projections for RPC1063 based in increasing our pricing assumption from about $27,000/patient/year to about $55,000/patient/year in the USA based on our view that new entrants into the IBD market such as

Vedolizumab are likely to charge a premium (we estimate approximately $45,000/patient/year) combined with our projection of the cost of Gilenya in 2018 when we project launch of RPC1063. We have offset this by decreasing our peak penetration in IBD as we presume premium pricing in-line with Gilenya is likely to cause reimbursement preference for third line use after generics and Vedolizumab. We also have removed our projections for RPC4043 until this candidate shows proof-of-concept clinical efficacy in the Phase 2 trial for EoE expected to begin in 2014. We continue to project full year profitability in 2019.

Inflammatory Bowel Disease

Crohn's disease (CD) and ulcerative colitis (UC) are the most common types of inflammatory bowel disease (IBD). Crohn's can impact any part of the digestive tract while UC only impacts the large intestine (including the colon and rectum). Typical Crohn's symptoms include abdominal pain, diarrhea, rectal bleeding, weight loss, and fever while symptoms for UC include abdominal discomfort and blood or pus in diarrhea. The cause of IBD is unknown; however, the goal of treatment is to induce and maintain remission and extend symptom-free periods.

Current treatments for IBD have limited efficacy and tolerability issues, especially for chronic treatment. IBD treatments include derivatives of 5-aminosalicylic acid, corticosteroids, immunosuppressants, antibiotics, anti-diarrheals, bile salt binders, analgesics, vitamin B12, anti-TNFs and other biologics. New classes in development include chemokine receptor 9, interleukin antagonists, janus kinase (JAK) inhibitors, and lymphocyte trafficking/adhesion modulators like Tysabri and Vedolizumab. Millennium/Takeda's Vedolizumab is a humanized monoclonal antibody that specifically antagonizes the alpha(4)beta(7) integrin binding to intestinal mucosal cell adhesion molecule 1 (MAdCAM-1) on blood vessels and lymph nodes in the GI tract as well as a subset of circulating white blood cells which mediate inflammation in the GI tract.

Vedolizumab has demonstrated statistically significant Phase 3 results for the treatment of IBD (NEJM 369(8): 699; NEJM 369(8): 711; NEJM 369(8): 775) and could be approved in H1:14. We understand Vedolizumab may be positioned after steroids and immunomodulators, and may compete with anti-TNFs.

Figure 2: ANTICIPATED MILESTONES (*OUR ESTIMATES)

Timing	Milestone	Estimated Probability	Estimated Upside/Downside
Q4:13	Interim analysis of Ph2 portion of RADIANCE +g/ng for Ph3	85:15	+0-15%/-0-20%
YE:13/Q1:14	RPC 1063 RMS Ph3 RADIANCE initiation w/SPA	--	--
H1:14	RPC 4046 EOE File IND for Ph2 initiation in 2014	--	--
Mid:14	RPC 1063 RMS Ph2 RADIANCE data release	80:20	+5-25%/-10-35%
Mid:14	RPC 1063 UC Ph2 TOUCHSTONE data release	75:20	+5-25%/-5-25%
H2:15	RPC 4046 EOE Topline Ph2 data release	50:50	+10-25%/-5-25%

Source: Company data, Wedbush Securities, Inc.

The next catalyst for RCPT in our view is the interim analysis and go/no go decision for the RADIANCE trial in Q4.

Although we do not anticipate a likely issue with the Phase 2 portion of the RADIANCE trial, the interim look will determine whether Receptos moves RPC1063 into Phase 3 for RMS. We anticipate upside with this announcement as we view clinical risk as having been reduced following the decision to move into Phase 3.

Figure 3: RCPT FAIR VALUE

RCPT Product Pipeline Valuation		Eligible # Patients	Pricing $ / Patient / Year	Gross Peak Sales WW ($000)	Net Peak Revs ($000)	Revs Year	Blended Peak Penetration	Multiple	Launch	Discount Rate	MktCap Fair Value ($000)	Stock Fair Value
Product	Indication											
RPC1063	RMS	857,143	$51,260	$4,433,490	$1,789,380	2023	8%	5	12/18/2018	30%	$650,886	$36.74
RPC1063	IBD/UC	450,000	$52,189	$950,488	$350,842	2023	8%	5	1/15/2019	30%	$125,041	$7.06
RPC4046	EoE	257,250	$46,866	$1,255,042	$75,202	2023	12%	4	6/15/2019	30%	$18,386	$1.04
Oral GLP-1	T2D	23,000,000	10,000	5,750,000	$2,869,250	2025	2%	2	6/30/2020	30%	$265,702	$15.00
We use multiples to account for clinical and regulatory risk at various stages of development.			Total Peak Revs:	$6,639,020	$2,215,424							

	11/18/13	Stock	MktCap	Upside Potential
1x: in preclinical testing	Late Stage Products Fair Value	$43.80	$775,927	76%
2x: passed preclinical	Current Quarter's Est Net Cash (000):	$3.45	$63,351	
3x: IND filing accepted	Total Technology Value	$59.84	$1,060,015	141%
4x: In Phase 1	Total RCPT Value:	$63.29	$1,123,366	155%
5x: In Phase 2	Current RCPT Value:	$24.01	$440,291	
6x: passed Phase 2 / in Phase 3				
7: positive Phase 3				
8: regulatory review				
9: approved				
10: launched				

Source: Company data, Wedbush Securities, Inc.

We reiterate our OUTPERFORM rating and our increasing our fair value to $44 by increasing our RPC1063 pricing assumption. We calculate RCPT's fair value based on the sum of a 30% annual discount and a 1x-10x premium range on our net peak annual sales estimate for each product and indication in the clinic to reflect risk.

RISKS TO THE ATTAINMENT OF OUR FAIR VALUE

Clinical Risk: We believe clinical risk is low in 2013, but likely to increase in 2014 with release of Phase 2 clinical results. Receptos is a developmental stage emerging pharmaceutical company which has completed Phase 1 and is conducting a Phase 2 trial for their lead product candidate, RPC1063 for the treatment of relapsing multiple sclerosis (RMS) with top-line results expected in mid-2014. As will all clinical candidates, RPC1063 is susceptible to inherent risks of failure at any stage of drug development, which may include unexpected adverse events; however, the S1P1 target has been validated by Novartis' GILENYA™ and RPC1063 appears to have a better safety profile. The company is also developing RPC1063 as a treatment candidate for inflammatory bowel disease (IBD) which is currently in a Phase 2 clinical trial with initial results expected in mid-2014. A second clinical candidate, RPC4046 is being developed as a treatment candidate for Eosinophilic Esophagitis (EoE) and is expected to start Phase 2 in 2014. Because the company is not expected to release initial top line results from mid-to-late stage clinical candidates, we do not believe clinical risk to our fair value is high in 2013.

Regulatory Risk: We consider regulatory risk to be low in 2013; however; in general, we believe if RPC1063 successfully completes clinical development, we believe regulatory risk is likely to be lower than average. That the FDA approved Novartis' GILENYA™ in 2011 despite safety issues including potential mortality upon initial dosing due to cardiovascular adverse events, suggests to us that a safer drug candidate with a similar efficacy profile is also likely to obtain approval. Receptos has never obtained marketing approval for a drug candidate and we do not anticipate NDA filing for the lead drug candidate (RPC1063) until 2017. Upon completion of regulatory review, if the FDA requires additional studies or data, the resulting increased costs and delays in the marketing approval would likely increase financing risk. Even after conducting such trials and submitting new data, the FDA may find these to be insufficient or may not agree with the analysis and still may not approve the NDA. Any delay in obtaining, or an inability to obtain, marketing approvals would increase financing risk by delaying commercialization as well as potential profitability. Regulatory risk can involve turnover in regulatory decision-makers, which can change policy and approval criteria after the trial is conducted. Agency statisticians may choose a different analytical process than was conducted in the NDA and conclude that the trials failed to achieve statistical efficacy. Changes in standard-of-care occurring while the trial is ongoing may also result in the design being found to be obsolete during regulatory review. Even if a product is approved, the designated patient population may be much smaller than expected, which could limit sales potential. Post-approval clinical studies may be required as well as limits on sales and marketing practices and materials. If unexpected adverse effects emerge the drug can be withdrawn from the market. Regulatory requirements also vary among different countries and may result in requirements for additional clinical trials.

Manufacturing Risk: We consider manufacturing risk to be low in 2013, but higher than normal for the future as Receptos lacks manufacturing capability and plans to continue relying on third parties to supply its product candidates. In addition, the company does not have any executed agreements for long-term commercial supply for any of its drug candidates, but plan to do so for RPC1063 prior to commercial launch. For RPC4046, AbbVie has agreed to manufacture enough for preclinical and clinical trials and may continue to or may choose to engage a third party following the planned Phase 2 results in EoE, after which, AbbVie may choose to execute an option to collaborate with Receptos for RPC4046 development and commercialization. Multiple improvements to the manufacturing process for RPC4046 have been made and a comparability assessment of the material used in the completed Phase 1 study versus the new process must be filed prior to the initiation of the Phase 2 in EoE.

Commercialization Risk: We consider commercialization risk to be low in 2013, but higher than average in general due to Receptos' small size and development stage. Receptos' business model is to develop and commercialize clinical candidates; however, for small development-stage companies, we view commercialization risk in general as higher than normal until/unless the company partners commercialization with an appropriate larger pharmaceutical company—especially for large indications such as multiple sclerosis. We anticipate Receptos is likely to partner commercial activities for large markets globally. For rare diseases such as EoE, the company may hire a small specialty sales force for the US, but we anticipate the company will partner commercialization for primary care globally as well as for all physicians outside the US. We consider this commercial plan to be optimal for leveraging potential profits from sales for a small company.

Competition Risk: We view competition risk as low in 2013 but, in general, higher than average unless Receptos partners with an appropriate global pharmaceutical company for commercialization. In general, we believe a small development-stage emerging pharmaceutical company with limited resources has higher-than-average competition risk. In the situation with RPC1063, while we believe large pharmaceutical companies with large marketing budgets, such as Novartis and Biogen-Idec may counter-detail RPC1063 after potential launch in late 2018, if its emerging profile of equal efficacy to GILENYA™, but improved safety while maintaining once-daily oral dosing is maintained through clinical development, we believe physicians treating MS patients are likely to prefer it over the currently approved oral therapies. In addition, physicians treating MS have commented that twice-daily dosing such as for Biogen-Idec's Tecfidera™ may have reduced real-world efficacy as their patients may forget to take the evening dose.

Intellectual Property Risk: We consider intellectual property risk to be low in 2013 and, in general, as the company has an exclusive license for the RPC1063 composition of matter patent which expires in May 2029 and could be extended into 2032. In addition, intellectual property protection for RPC4046 also has a long runway with expiration in 2028 and may be extended up to 5 years.

Financing Risk: Receptos ended Q3:13 with about $80.8 million in cash and investments and reiterated their runway guidance into Q2 2015 by including the $25MM remainder in MidCap Financial venture debt. We consider financing risk to be low in 2013, but likely to increase in H2 2014.

Analyst Biography

Liana Moussatos joined Wedbush from Pacific Growth Equities where she was a Senior Research Analyst. Prior to that she came from UBS Global Asset Management where she was Director and portfolio manager of the UBS Global Biotech Funds for five years. Previously, Liana was with Bristol-Meyers Squibb where she was a manager in University and Government Licensing, External Science and Technology and she also worked with Sloan-Kettering Cancer Institute in the Office of Industrial Affairs and the National Cancer Institute in the Office of Technology Development. Liana received a BS in Entomology and a MS in Zoology and Biochemistry from Clemson University. She also earned a Ph.D. in Plant Pathology from the University of California, Davis and completed a postdoctoral research fellowship in Cellular and Molecular Physiology at the Yale School of Medicine.

Analyst Certification
I, Liana Moussatos, Ph.D., Richard Lau, CFA, certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

Disclosure information regarding historical ratings and price targets is available at http://www.wedbush.com/ResearchDisclosure/DisclosureQ313.pdf

Investment Rating System:
Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.
Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.
Underperform: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating Distribution (as of September 30, 2013)	**Investment Banking Relationships (as of September 30, 2013)**
Outperform:55% Neutral: 41% Underperform: 4%	Outperform:14% Neutral: 2% Underperform: 0%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

The analysts responsible for preparing research reports do not receive compensation based on specific investment banking activity. The analysts receive compensation that is based upon various factors including WS' total revenues, a portion of which are generated by WS' investment banking activities.

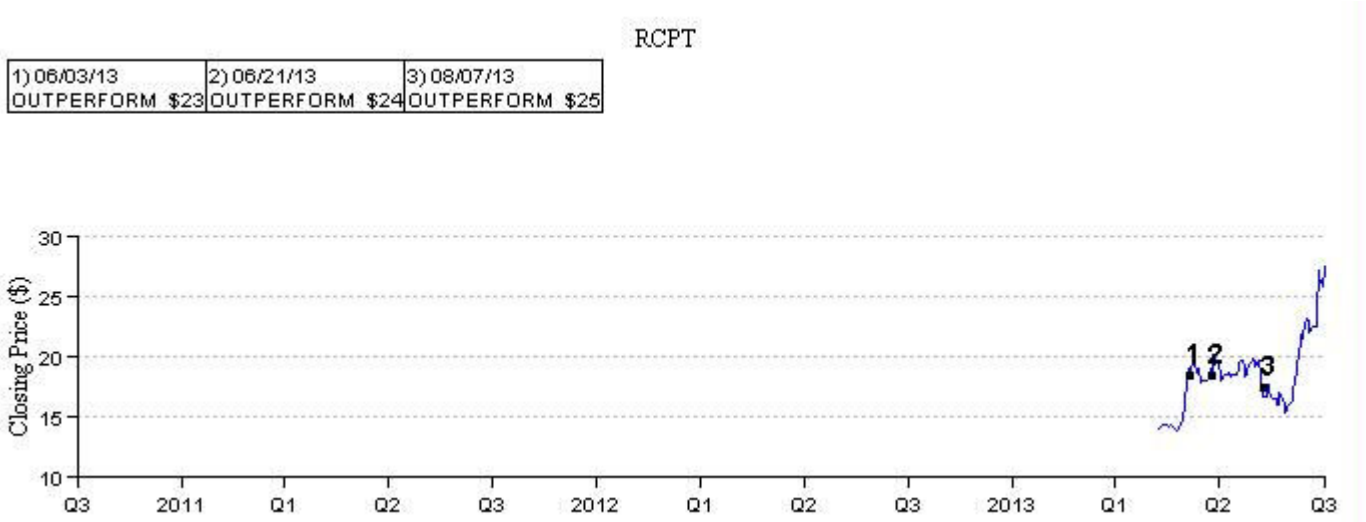
Wedbush Equity Research Disclosures as of November 18, 2013

Company	Disclosure
Receptos	1,3,5

Research Disclosure Legend
1. WS makes a market in the securities of the subject company.
2. WS managed a public offering of securities within the last 12 months.
3. WS co-managed a public offering of securities within the last 12 months.
4. WS has received compensation for investment banking services within the last 12 months.
5. WS provided investment banking services within the last 12 months.
6. WS is acting as financial advisor.
7. WS expects to receive compensation for investment banking services within the next 3 months.
8. WS provided non-investment banking securities-related services within the past 12 months.
9. WS has received compensation for products and services other than investment banking services within the past 12 months.
10. The research analyst, a member of the research analyst's household, any associate of the research analyst, or any individual directly involved in the preparation of this report has a long position in the common stocks.
11. WS or one of its affiliates beneficially own 1% or more of the common equity securities.
12. The analyst maintains Contingent Value Rights that enables him/her to receive payments of cash upon the company's meeting certain clinical and regulatory milestones.

Price Charts

Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.



* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.
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RESEARCH DEPT. * (213) 688-4505 * www.wedbush.com
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WEDBUSH

EQUITY RESEARCH DEPARTMENT

(213) 688-4529

DIRECTOR OF RESEARCH
Mark D. Benson (213) 688-4435

MANAGER, RESEARCH OPERATIONS
Ellen Kang (213) 688-4529

RETAIL AND CONSUMER

Consumer Products
Rommel T. Dionisio (212) 938-9934
Kurt M. Frederick, CFA CPA (415) 274-6822

Footwear, Apparel and Accessories
Corinna Freedman (212) 668-9876
Alicia Reese (212) 938-9927

Healthy Lifestyles
Kurt M. Frederick, CFA CPA (415) 274-6822

Restaurants
Nick Setyan (213) 688-4519
Colin Radke (213) 688-6624

Specialty Retail: Hardlines
Joan L. Storms, CFA (213) 688-4537
John Garrett, CFA (213) 688-4523

Seth Basham, CFA (212) 938-9954

RETAIL/CONSUMER MARKET RESEARCH

Gabriella Santaniello (213) 688-4557

INDUSTRIAL GROWTH TECHNOLOGY

Clean Technology
Craig Irwin (212) 938-9926
Min Xu (212) 938-9925

Environmental Services / Building Products
Al Kaschalk (213) 688-4539
Taryn Kuida (213) 688-4505

Water and Renewable Energy Solutions
David Rose, CFA (213) 688-4319

TECHNOLOGY, INTERNET, MEDIA & SOCIAL MEDIA

Communications and Application Software / Internet
Shyam Patil, CFA (213) 688-8062

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Sanjit Singh (212) 938-9922
Ryan Flanagan (212) 938-9942

Computer Services: Financial Technology
Gil B. Luria (213) 688-4501
Aaron Turner (213) 688-4429

Enterprise Software
Steve Koenig (415) 274-6801
Kevin Ikeda (213) 688-4423

Entertainment: Retail
Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Entertainment: Software
Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Social Internet and E-Commerce
Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Media
James Dix, CFA (213) 688-4315

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Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Semiconductors
Betsy Van Hees (415) 274-6869
Ryan Jue, CFA (415) 263-6669

LIFE SCIENCES

Biotechnology/Biopharmaceuticals/BioDefense
Gregory R. Wade, Ph.D. (415) 274-6863
David M. Nierengarten, Ph.D. (415) 274-6862
Christopher N. Marai, Ph.D. (415) 274-6861

Emerging Pharmaceuticals
Liana Moussatos, Ph.D. (415) 263-6626
Richard Lau, CFA (415) 274-6851

Healthcare Services - Managed Care
Sarah James (213) 688-4503

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Boston	(617) 832-3700	Boston	(617) 832-3700

CORPORATE HEADQUARTERS
1000 Wilshire Blvd., Los Angeles, CA 90017-2465
Tel: (213) 688-8000 www.wedbush.com