Receptos (RCPT)

Rating	**OUTPERFORM* [V]**
Price (31 May 13, US$)	15.87
Target price (US$)	21.00[1]
52-week price range	15.87 - 13.85
Market cap. (US$ m)	279.39
Enterprise value (US$ m)	-50,270.05

**Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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SMALL & MID CAP RESEARCH

Another Potential Winner in the Revolution

- **We Are Initiating Coverage of Receptos (RCPT) with Outperform and $21 Target Price (~30% Upside Potential):** Founded in 2009, RCPT is focused on the research and development of drugs for the treatment of immunological and metabolic disorders. RCPT's key asset is RPC1063, which is a "2nd-generation" S1P1 modulator, currently enrolling into a PII/III trial for relapsing multiple sclerosis (RMS) and a PII for ulcerative colitis.
- **"Evolution or Revolution?" RPC1063 Could Be a Significant Winner in the Revolution:** The MS market (which we estimate will reach $19B by 2018, the expected launch year for RPC1063) is currently going through a revolution, catalyzed by a plethora of new therapeutic agents, most notably by BIIB's Tecfidera. In our view, the main losers in this revolution are the incumbent ABCR class of drugs (currently holding ~80% global patient market share); the biggest winners will be oral agents. We think the totality of RPC1063's clinical profile, notably improved half-life/fast recovery of lymphocytes, and CV/hepatoxicity over Gilenya (the "1st-generation" S1P1 launched in 2010; CS estimates $2.6B in 2017) may effectively position RPC1063 in a different "bucket" from Gilenya.
- **Valuation:** Our DCF-derived target price of $21 is based on conservative assumptions. For valuation purposes only, we assume that RPC1063 in RMS is out-licensed after PII with $100M in milestones, launched in 2018, garners 20% royalties, and achieves WW peak sales of ~$1.5B in 2024 (6.8% market share) declining through to IP expiration in 2029. We risk-weight these royalties by ~50%. Our DCF does not include the rest of RCPT's assets, specifically RPC1063 in IBD (PII) or RPC4046 as a potential treatment for the orphan disease eosinophilic esophagitis (EoE). The most important valuation driver and catalyst is a potential corporate partnership or wholesale purchase of the company, upon read-out of the PII RMS study due in mid-2014.

Financial and valuation metrics

Year	12/12A	12/13E	12/14E	12/15E
EPS (CS adj.) (US$)	-13.73	-2.70	-1.72	-1.40
Prev. EPS (US$)	—	—	—	—
P/E (x)	-1.2	-5.9	-9.2	-11.4
P/E rel. (%)	-7.1	-38.9	-68.0	-92.1
Revenue (US$ m)	8,647.0	1,520.0	22,150.0	—
EBITDA (US$ m)	-17,054.0	-43,979.2	-41,937.2	-34,545.2
OCFPS (US$)	-14.28	-2.53	-1.60	-1.48
P/OCF (x)	—	-6.3	-9.9	-10.7
EV/EBITDA (current)	0.3	1.1	2.5	1.9
Net debt (US$ m)	-5,453	-50,549	-104,250	-67,340
ROIC (%)	316.59	563.81	435.50	555.23

Number of shares (m)	17.60	IC (current, US$ m)	-5,594.00
BV/share (Next Qtr., US$)	—	EV/IC (x)	—
Net debt (Next Qtr., US$ m)	—	Dividend (current, US$)	—
Net debt/tot cap (Next Qtr., %)	—	Dividend yield (%)	—

Source: Company data, Credit Suisse estimates

Investment Thesis

We Are Initiating Coverage of Receptos (RCPT) with an Outperform Rating and a $21 Target Price: Receptos was founded in 2009 and specializes in research and development of novel agents for treating relapsing multiple sclerosis (RMS), inflammatory bowel disease (IBD), and other immune diseases. Receptos' lead pipeline compound is RPC1063, an orally administered sphingosine 1-phosphate receptor (S1P1R) modulator, which is being examined as potential treatments for RMS and IBD. Receptos is currently evaluating RPC1063 in the PII portion of a PII/PIII trial (RADIANCE) in RMS and a PII trial (TOUCHSTONE) in ulcerative colitis (UC), a gastrointestinal disease affecting a specific subpopulation of patients with IBD. The focus from an investment perspective is primarily on RPC1063 as a potential treatment for RMS, given that this indication is further along in clinical development.

Receptos' lead asset is RPC1063, which is in the PII portion of a PII/PIII trial in RMS

RPC1063 Works Via the Same Mechanism of Action as Novartis's Gilenya: Gilenya was the first S1P1R modulator approved for treatment of RMS. Like Gilenya, RPC1063 binds to S1P1R. This action leads to internalization of the receptor. As a result, lymphocytes are no longer able to respond to the S1P gradient and become trapped in the lymph nodes. This sequestration leads to lower concentrations of lymphocytes in the rest of the body, including the Central Nervous System (CNS). Recall that over activated lymphocytes (B Cells, T Cells) play a major role in the pathogenesis of multiple sclerosis (i.e., the body's immune system attacking the myelin sheaths of nerve cells).

RPC1063 is a S1P1R modulator like Novartis' Gilenya . . .

Gilenya Is Highly Efficacious but Is Associated with Severe Side Effects: Physicians generally view Gilenya as having efficacy close to Tysabri. Gilenya showed impressive efficacy in a PIII clinical trial. Relative to placebo, Gilenya had a 58% relative reduction in annualized relapse rate and a 37-40% relative reduction in EDSS disability progression. However, Gilenya can cause some serious side effects including decrease in heart rates (at the first dose), "long-lasting" lymphopenia, and hepatoxicity. In addition, Gilenya has the theoretical potential to cause pulmonary fibrosis. Despite these headwinds, Gilenya, which was launched in late 2010, has a run rate of >$1.6B in 2013, and Credit Suisse estimates 2017 revenues of $2.6B.

. . .which has achieved revenues of $1.6B three years after launch despite significant safety headwinds

There Is Demand for a S1P1R Modulator that Has Comparable Efficacy and Better Safety than Gilenya: Our view is supported by the following observations: (1) Gilenya's adoption by general neurologists, who account of ~80% of all therapeutic prescriptions in RMS, has been hampered by concerns about its safety profile. In general, all of the adverse events mentioned previously have made general neurologists reluctant to use Gilenya. (2) In our interviews, we have noticed that most neurologists generally view Gilenya in a positive manner. These neurologists are attracted to the high efficacy and oral administration but are concerned to some degree by the safety profile.

Physician channel checks suggest significant demand for an improved S1P1

The Current Data from Preclinical and Early Clinical Studies Suggest that RPC1063 Could Improve upon Gilenya's Safety Profile: (1) RPC1063's intrinsic properties are more favorable. RPC1063 has a low peak plasma concentration, delayed absorption, and a high volume of distribution. (2) RPC1063 has a shorter half-life (19 hours), potentially enabling faster lymphocyte recovery. In fact, in PI studies, the time to lymphocyte recovery (defined as ~70% lymphocyte reduction) was approximately three days for RPC1063 (versus around four to eight weeks for Gilenya). (3) RPC1063 has an improved cardiac conduction profile. This intrinsic property coupled with dose titration of RPC1063 could potentially lower the magnitude of decrease in heart rate following the first dose of RPC1063. (4) RPC1063 has the potential for lower hepatoxicity. So far, there have been no cases of hepatoxicity in a PI trial with RPC1063. (5) RPC1063 is more selective for S1P1R. RPC1063 has the potential to lessen the risk of pulmonary fibrosis.

Preclinical and clinical studies on RPC1063 conducted to date suggest that it is devoid of many of Gilenya's safety headwinds

Receptos Is Evaluating RPC1063 in the PII Portion of a PII/PIII trial (RADIANCE) in RMS: Receptos has a special protocol assessment (SPA) with the FDA on the clinical program for RPC1063 in RMS. The PII study will evaluate 0.5mg and 1.0mg doses of RPC1063. Enrollment for this trial is targeted at ~210 patients. The primary endpoint is the reduction in cumulative number of total gadolinium enhancing (GdE) lesions by MRI from Week 12 to Week 24. The top-line read-out of this trial is expected in mid-2014. The PIII trial will start being to enroll patients in Q4'13 after an interim safety assessment of the ongoing PII study. This trial will recruit ~900 patients. The primary endpoint is superior clinical efficacy relative to Avonex in reducing the annualized relapse rate at Month 24. Receptos also will be conducting an additional confirmatory PIII trial. A NDA for RPC1063 will likely be filed in 2017.

RPC1063 is currently in the PII portion of a PII/PIII trial, with an interim safety assessment due in Q4 2013 and a top-line read-out due in mid-2014

"Evolution or Revolution?" We have published extensively on our view that the MS market is currently going through a revolution, catalyzed by a plethora of new therapeutic agents, most notably by BIIB Tecfidera (LINK #1, LINK #2, LINK #3, LINK #4, LINK #5, LINK #6). In our view, the global MS market can grow from $15.3B in 2013 to $19.7B in 2020. The key drivers of this growth include: (1) the launch of new orally administered agents provide neurologists with more treatment options; (2) the introduction of new therapeutics has encouraged patients with RMS to return for treatment; (3) the treatment paradigm is rapidly moving from a "diagnose, treat, and wait" to a "treat aggressively toward a goal" approach. We continue to see an evolving debate about treating at first symptoms (versus waiting for a second confirmatory relapse or further MRI data). Furthermore, we detect an increasing willingness to switch therapies if treatment goals are not being met.

The RMS market is undergoing a "revolution" catalyzed by a plethora of new therapeutic agents

RPC1063 Is Expected to Achieve Worldwide Peak Sales of ~$1.5B by 2024: This sales estimate represents 4.5% by value and ~4% by patients of the global RMS market. In our model, we assume that sales of RPC1063 decline from ~$1.5B in 2024 to ~$830M in 2029. The key assumption to RPC1063 reaching these revenue estimates is that RPC1063 has a better safety profile than Gilenya.

Even a modest market share of 6.8% yields peak sales of ~$1.5B by 2024 for RPC1063

Securing a Partner for RPC1063 in RMS Will Be Important: Given PIII clinical trials in RMS are very expensive, we expect that investors will want to see Receptos find a partner to take on some of the clinical development costs and risks. We currently assume that Receptos will secure a partner, collecting a royalty on 20% of RPC1063 worldwide sales, $20M upfront payment, and up to $100M in clinical, regulatory, and commercial milestones. We acknowledge that these assumptions are likely conservative, especially based on the deal that the current CEO had done previously with Daclizumab, another therapeutic for RMS currently in PIII clinical trials, at Facet Biotech. In that deal, the CEO offered to take on more clinical development expenses and risks in exchange for better economics.

A partnership or wholesale purchase of the company after the PII data in mid-2014 is a key catalyst for Receptos

The Rest of the Pipeline Could Drive Further Upside: Receptos is currently evaluating RPC1063 as a potential treatment of IBD. The proof-of-concept data will be provided via patients with UC in the PII TOUCHSTONE trial. A top-line read-out is expected in mid-2014. Receptos is also evaluating RPC4046 as a potential treatment for the orphan disease eosinophilic esophagitis (EoE). There are currently no approved therapies for treating this disorder. Receptos plans to start a PII trial in early 2014.

RPC1063 is also in PII as a potential treatment of IBD. Receptos' other pipeline asset, RPC4046, is being evaluated for eosinophilic esophagitis (EoE)

Valuation

Receptos is a company mainly with clinical development risk. Our $21 target price for Receptos is derived from a company DCF-based valuation based on what we consider to be conservative RPC1063 (RMS-only) sales assumptions. We stress that our valuation does not include any value for RPC1063 in IBD, RPC4046 in EoE, and the rest of the pipeline. Specifically, our DCF-based valuation assumes:

(1) 20% royalty rate on RPC1063 worldwide net sales;

(2) $20M upfront payment upon licensing RPC1063 for RMS only;

(3) Up to $100M in clinical, regulatory, and commercial milestones; and

(4) A risk-weighting of 50% yields a value of $42/share

We project that RPC1063 will reach worldwide peak sales of ~$1.5B in 2024, declining to $830M in 2029. We assume annual cash flows through 2029. In addition, we have added R&D expenses back in our valuation, given some of Receptos' R&D expenses are associated with research and development of RPC1063, RPC4046, and the rest of its pipeline. We currently model additional fundraising of $100M in 2014. We expect that Receptos will likely be profitable beginning in 2018 based on milestone and royalty payments associated with RPC1063. The DCF-based valuation of Receptos is shown in Exhibit 1. We note that a DCF valuation that is not risk weighted yields a value of $42/share.

Exhibit 1: RCPT DCF Valuation

DCF Valuation (Corporate)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Free Cash Flows to Equity	(41,307)	(33,734)	(25,160)	(2,931)	51,218	39,503	119,746	138,479	163,293	181,726	194,390	183,315	172,789	162,788	134,793	95,258
R&D Add Back		28,910	20,237	20,642	21,055	21,476	21,905	22,343	22,790	23,246	23,711	24,185	24,669	25,162	25,665	26,179
Cash Flows	(41,307)	(4,824)	(4,923)	17,710	72,273	60,979	141,652	160,822	186,083	204,972	218,101	207,500	197,458	187,950	160,458	121,437
PV of Cash Flow	(39,385)	(4,182)	(3,879)	12,687	47,066	36,101	76,238	78,686	82,769	82,883	80,174	69,343	59,988	51,909	40,287	27,718

PV of Cash Flows (2014-2029)	698,404
Net Cash (2013)	50,549
Shares Out	17,793
U.S. Value/Share (Risk-Weighted)	$20.50
Net Cash/Share	$2.84

Source: Receptos, Credit Suisse estimates.

Our key assumptions in modeling sales of RPC1063 include:

- Sales from RPC1036 for treatment of RMS only in the U.S. and ex-U.S.;
- 10% discount rate;
- Price of $59K (2018) in the U.S. per patient annually;
- Annual cash flows until 2029;
- Launch of RPC1063 in 2018;
- RPC1063 peak sales of $1.5B in 2024; and
- Patent protection until 2029.

Risks

Key risks to our Receptos target price include the following:

- **RPC1063 Is Not Approved or Significantly Delayed:** Receptos is heavily dependent on the success of RPC1063. If Receptos fails to obtain regulatory approval for RPC1063, then its business will be materially harmed.
- **RPC1063 Does Not Demonstrate Efficacy and Safety Expected from Data on Studies to Date:** Our assumptions are based on expectations regarding RPC1063's efficacy and safety. If RPC1063 is shown to be less efficacious and safe than expected, then our sales estimates for RPC1063 could fall short of expectations.
- **RPC1063 Could Underperform Our Expectations for the Product Launch Ramp or Peak Sales:** In modeling RPC1063, we have developed a patient-driven model to attempt to forecast the launch trajectory and peak sales. However, if any of the forecast parameters (i.e., pricing, treatment rate, average duration of therapy) are worse than our expectations, our sales estimates for RPC1063 could be too high.
- **Market for Oral MS Therapies May Not Become as Large as Expected:** We currently have projected a particular market size of the oral MS therapies based on a patient-driven model. If the number of projected patients moving to oral MS therapies is lower than projected, then the total oral MS therapy market could be significantly lower than forecast.
- **Generic Gilenya Has a Bigger Impact on RCP1063.** We assume a "worst case" scenario of generic Gilenya in 2019 but believe that RCP1063's profile is differentiated enough from Gilenya for it still to be able to capture market share after the introduction of generic Gilenya. This may not be the case.
- **Lack of Partnership Post PII Readout:** If Receptos is unable to secure a partner for the PIII trial, then Receptos will likely need to raise additional funds to conduct PIII trials by themselves. This action will likely lead to significant dilution of current shareholders.

RCPT Financials

Exhibit 2: RCPT Quarterly Income Statement 2013

RCPT Quarterly Income Statement	Q1'13E	Q2'13E	Q3'13E	Q4'13E	2013E
(Dollars in thousands, except share and per share amounts)					
RPC1063 Royalty	0	0	0	0	0
Milestones	0	0	0	0	0
Collaborative Revenues	380	380	380	380	1,520
Total Revenues	**380**	**380**	**380**	**380**	**1,520**
COGS	**0**	**0**	**0**	**0**	**0**
Gross Profit	**380**	**380**	**380**	**380**	**1,520**
R&D	9,264	9,968	10,772	11,577	41,581
SG&A	961	1,012	1,063	1,114	4,150
Total Operating Expenses	**10,225**	**10,980**	**11,835**	**12,690**	**45,730**
Operating Income/(Loss)	**(9,845)**	**(10,600)**	**(11,455)**	**(12,310)**	**(44,210)**
Interest Income	4	4	4	4	16
Interest Expense	0	0	0	0	0
Other Income/(Expense)	(5)	(5)	(5)	(5)	(20)
Total Other Income/(Expense)	(1)	(1)	(1)	(1)	(4)
Pre-Tax Profit/(Loss)	**(9,846)**	**(10,601)**	**(11,456)**	**(12,311)**	**(44,214)**
Provision/(Benefit) for Income Taxes	0	0	0	0	0
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income/(Loss)	**(9,846)**	**(10,601)**	**(11,456)**	**(12,311)**	**(44,214)**
GAAP Basic EPS	($0.79)	($0.60)	($0.65)	($0.69)	($2.74)
GAAP Diluted EPS	($0.79)	($0.60)	($0.65)	($0.69)	($2.74)
Basic Shares Outstanding	12,404	17,605	17,693	17,781	16,371
Diluted Shares Outstanding	12,404	17,605	17,693	17,781	16,371

Source: Receptos, Credit Suisse estimates.

Exhibit 3: RCPT Annual Income Statement 2011-2020

RCPT Annual Income Statement	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
(Dollars in thousands, except share and per share amounts)										
RPC1063 Royalty	0	0	0	0	0	0	0	2,649	70,972	162,551
Milestones	0	0	0	20,000	0	0	25,000	75,000	0	0
Collaborative Revenues	9,232	8,647	1,520	2,150	0	0	0	0	0	0
Total Revenues	**9,232**	**8,647**	**1,520**	**22,150**	**0**	**0**	**25,000**	**77,649**	**70,972**	**162,551**
COGS	0	0	0	0	0	0	0	132	3,549	8,128
Gross Profit	**9,232**	**8,647**	**1,520**	**22,150**	**0**	**0**	**25,000**	**77,517**	**67,423**	**154,423**
R&D	12,803	22,927	41,581	59,609	29,787	21,245	23,976	22,388	24,097	23,668
SG&A	2,756	3,430	4,150	4,593	4,847	4,964	5,087	5,215	5,350	5,492
Total Operating Expenses	**15,559**	**26,357**	**45,730**	**64,202**	**34,634**	**26,209**	**29,063**	**27,603**	**29,447**	**29,160**
Operating Income/(Loss)	**(6,327)**	**(17,710)**	**(44,210)**	**(42,052)**	**(34,634)**	**(26,209)**	**(4,063)**	**49,914**	**37,977**	**125,263**
Interest Income	7	18	16	52	34	21	19	45	64	124
Interest Expense	0	0	0	0	0	0	0	0	0	0
Other Income/(Expense)	210	(18)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)
Total Other Income/(Expense)	217	0	(4)	32	14	1	(1)	25	44	104
Pre-Tax Profit/(Loss)	**(6,110)**	**(17,710)**	**(44,214)**	**(42,020)**	**(34,620)**	**(26,209)**	**(4,063)**	**49,939**	**38,021**	**125,367**
Provision/(Benefit) for Income Taxes	0	0	0	0	0	0	0	0	0	7,359
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.9%
Net Income/(Loss)	**(6,110)**	**(17,710)**	**(44,214)**	**(42,020)**	**(34,620)**	**(26,209)**	**(4,063)**	**49,939**	**38,021**	**118,009**
GAAP Basic EPS	($7.72)	($13.73)	($2.70)	($1.72)	($1.40)	($1.04)	($0.16)	$1.92	$1.44	$4.40
GAAP Diluted EPS	($7.72)	($13.73)	($2.70)	($1.72)	($1.40)	($1.04)	($0.16)	$1.92	$1.44	$4.40
Basic Shares Outstanding	791	1,290	16,371	24,462	24,808	25,188	25,586	25,995	26,411	26,830
Diluted Shares Outstanding	791	1,290	16,371	24,462	24,808	25,188	25,586	25,995	26,411	26,830

Source: Receptos, Credit Suisse estimates.

Exhibit 4: RCPT Balance Sheet 2011-2020

RCPT Balance Sheet	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
(Dollars in thousands, except share and per share amounts)										
ASSETS										
Current Assets										
Cash & Cash Equivalents	11,336	5,453	50,549	104,250	67,340	41,308	38,545	90,292	128,935	248,168
Short-Term Marketable Securities	0	0	0	0	0	0	0	0	0	0
Accounts Receivable	0	0	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0	0	0
Prepaid Expenses & Other Current Assets	424	786	1,362	1,869	1,008	751	766	781	797	813
Total Current Assets	**11,760**	**6,239**	**51,911**	**106,119**	**68,348**	**42,058**	**39,311**	**91,073**	**129,731**	**248,981**
Property & Equipment, Net	991	549	539	651	796	933	1,165	1,455	1,777	2,113
Long-Term Marketable Securities	0	0	0	0	0	0	0	0	0	0
Other Assets	148	141	141	141	141	141	141	141	141	141
Total Assets	**12,899**	**6,929**	**52,591**	**106,911**	**69,285**	**43,133**	**40,617**	**92,669**	**131,649**	**251,235**
LIABILITIES										
Current Liabilities										
Accounts Payable	462	1,019	1,866	2,560	1,381	1,028	1,049	1,427	1,819	1,855
Accrued Payroll	812	1,028	1,771	2,429	1,310	976	995	1,015	531	271
Accrued Expenses	1,483	1,682	2,906	3,986	2,151	1,601	1,634	1,666	797	406
Repurchase Liability (Unvested Restricted Stock)	95	188	188	188	188	188	188	188	188	188
Deferred Revenue, Current Portion	3,736	2,225	2,225	2,225	2,225	2,225	2,225	2,225	2,225	2,225
Total Current Liabilities	**6,588**	**6,142**	**8,955**	**11,389**	**7,255**	**6,019**	**6,091**	**6,521**	**5,560**	**4,945**
Deferred Revenue, Less Current Portion	1,417	700	700	700	700	700	700	700	700	700
Deferred Rent	201	228	228	228	228	228	228	228	228	228
Total Liabilities	**8,206**	**7,070**	**9,883**	**12,317**	**8,183**	**6,947**	**7,019**	**7,449**	**6,488**	**5,873**
SHAREHOLDER'S EQUITY										
Common Stock	13	72	178	245	248	252	256	260	264	268
Additional Paid in Capital	7,299	47,376	134,333	228,172	229,297	230,586	232,057	233,736	235,652	237,839
Accumulated Surplus/(Deficit)	(29,879)	(47,589)	(91,803)	(133,823)	(168,443)	(194,651)	(198,715)	(148,775)	(110,754)	7,255
Total Shareholders' Equity	**(22,567)**	**(141)**	**42,708**	**94,594**	**61,102**	**36,186**	**33,598**	**85,220**	**125,162**	**245,362**
Total Liabilities and Shareholders' Equity	**12,899**	**6,929**	**52,591**	**106,911**	**69,285**	**43,133**	**40,617**	**92,669**	**131,649**	**251,235**

Source: Receptos, Credit Suisse estimates.

Exhibit 5: RCPT Cash Flow Statement 2011-2020

RCPT Cash Flow Statement	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
(Dollars in thousands, except share and per share amounts)										
Net Income/(Loss)	(6,110)	(17,710)	(44,214)	(42,020)	(34,620)	(26,209)	(4,063)	49,939	38,021	118,009
Adjustments:										
Depreciation & Amortization Expense	827	656	231	115	88	104	129	162	197	235
Deferred Revenue	5,153	(2,228)								
Stock-Based Compensation	62	220	330	825	1,031	1,186	1,364	1,568	1,804	2,074
Deferred Rent	(142)	27	0	0	0	0	0	0	0	0
Change in Operating Assets and Liabilities:										
Accounts Receivables	0	0	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0	0	0
Prepaid Expenses & Other Current Assets	(101)	(278)	(576)	(507)	861	257	(15)	(15)	(16)	(16)
Accounts Payable & Accrued Expenses	1,115	679	2,070	1,775	(3,015)	(902)	53	410	(477)	(354)
Accrued Payroll	382	216	743	659	(1,119)	(335)	20	20	(484)	(260)
Cash from Operating Activities	**1,186**	**(18,418)**	**(41,416)**	**(39,153)**	**(36,773)**	**(25,898)**	**(2,513)**	**52,084**	**39,045**	**119,688**
Purchases of Property, Plant, & Equipment	(614)	(214)	(220)	(227)	(234)	(241)	(361)	(452)	(519)	(571)
Cash from Investing Activities	**(614)**	**(214)**	**(220)**	**(227)**	**(234)**	**(241)**	**(361)**	**(452)**	**(519)**	**(571)**
Proceeds from Issuance of Convertible Preferred Stock and Common Stock Warrants	8,664	12,556	0	0	0	0	0	0	0	0
Proceeds from Exercise of Stock Options	13	41	53	81	97	106	112	115	116	117
Proceeds/(Payments) of IPO and Other	11	126	86,680	93,000	0	0	0	0	0	0
Repurchase of Unvested Restricted Stock	(1)	0	0	0	0	0	0	0	0	0
Cash from Financing Activities	**8,687**	**12,723**	**86,733**	**93,081**	**97**	**106**	**112**	**115**	**116**	**117**
Net Change in Cash & Cash Equivalents	**9,259**	**(5,909)**	**45,096**	**53,701**	**(36,910)**	**(26,032)**	**(2,763)**	**51,747**	**38,642**	**119,234**
Free Cash Flow to Equity										
Net Income			(44,214)	(42,020)	(34,620)	(26,209)	(4,063)	49,939	38,021	118,009
Add: Non-Cash items			561	940	1,120	1,290	1,493	1,730	2,001	2,309
Add: Increase in Current Liabilities										
Subtract: Increase in Current Assets										
Subtract: Capital Expenditures			(220)	(227)	(234)	(241)	(361)	(452)	(519)	(571)
FCFF			(43,874)	(41,307)	(33,734)	(25,160)	(2,931)	51,218	39,503	119,746
Add/Subtract: Debt Issuance/Payment										
FCFE			(43,874)	(41,307)	(33,734)	(25,160)	(2,931)	51,218	39,503	119,746

Source: Receptos, Credit Suisse estimates.

Receptos (RCPT): 60-Second Take-Home

- Development-stage biotech company with RPC1063 as its lead pipeline compound is in PII studies for relapsing multiple sclerosis (RMS) and ulcerative colitis (UC)
- Very experienced management team, especially CEO (Ex CEO of Facet Biotech)
- RPC1063 = "Next generation S1P1" that could improve on safety profile of Novartis' Gilenya (CSe $1.7B 2013, $2.6B by 2017)
- MS market entering a "Evolution or Revolution" – $15B in 2013 to $19M 2020 driven by orals
- Safety profile of RPC1063 could move its clinical profile towards "NIMO/middle bucket"
- Expecting PII RADIANCE (for RMS) data readout in mid-2014, providing first look at efficacy and safety/tolerability of RPC1063. Partnership or corporate action likely to occur at this point
- Receptos has other clinical-stage assets including RPC1063 in Ulcerative Colitis and RPC4046 in Eosinophilic Esophagitis

Sources: Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Receptos (RCPT): Investment Highlights

- Biopharmaceutical company founded in 2009 and based in San Diego, CA
- Employs proprietary technology platform combining cell- and protein-based screening with structure determination to develop agents targeting GPCRs
- Focused on developing and commercializing drugs for the treatment of immunological and metabolic disorders
- Lead pipeline compound, RPC1063, is in PII studies for relapsing multiple sclerosis (RMS) and ulcerative colitis (UC)
- Valuation is driven principally by RPC1063 as a potential treatment for RMS
  - PI data suggest that RPC1063 has potential to improve on safety profile of Novartis' Gilenya
- Expecting PII RADIANCE (for RMS) data readout in mid-2014, providing first look at efficacy and safety/tolerability of RPC1063
- Led by experienced management team with expertise in immunology and oncology

Sources: Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 8: **Receptos Management and Investors**

Receptos Management and Investors

- Led by management team with strong biopharmaceutical experience:
  - Faheem Hasnain, President & CEO
  - Sheila Gujrathi MD, CMO
  - Graham Cooper, CFO
  - Robert Peach PhD, CSO & Co-Founder
  - Marcus Boehm PhD, CTO & Co-Founder
  - Chrysa Mineo, VP Corporate Development
- Current investors include several top healthcare venture capital firms:
  - Arch Venture Partners
  - Flagship Ventures
  - Lilly Ventures
  - Polaris Venture Partners
  - Venrock
  - Osage Partners
  - OrbiMed
  - BioMed Ventures

Facet Biotech, PDL BioPharma, biogen idec, Genentech, Orexigen, conforma therapeutics, GlaxoSmithKline, Ligand, Amgen, Bristol-Myers Squibb, Schering-Plough, Deutsche Bank, Neurocrine Biosciences, Alex. Brown, McKinsey&Company, ARCH Venture Partners, Flagship Ventures, Polaris Venture Partners, Venrock, Osage Partners, Lilly Ventures, OrbiMed Healthcare Fund Management, BioMed Ventures

Sources: Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 9: **Receptos' Pipeline**

Receptos' Pipeline

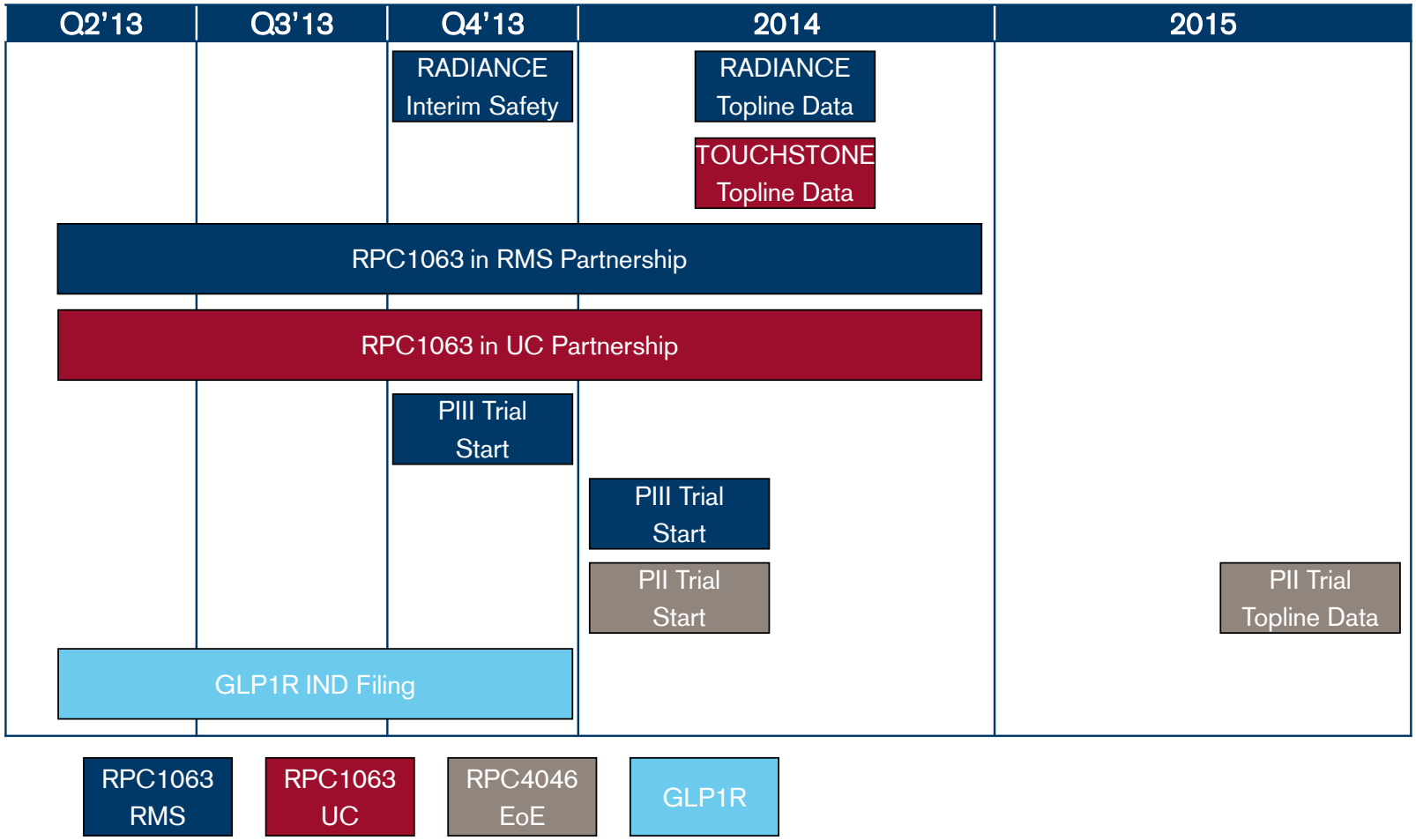
		Target Indications	Partners	Current Status	Highlights
Clinical Stage	RPC1063 S1P1R Modulator	▪ Relapsing Multiple Sclerosis (RMS)	▪ None	▪ PII/III trial is currently underway ▪ Expecting PII data in mid-2014	▪ Major near-term valuation driver ▪ Potentially better efficacy and safety (vs. Gilenya)
	RPC1063 S1P1R Modulator	▪ Ulcerative Colitis	▪ None	▪ PII trial is currently underway ▪ Expecting PII data in mid-2014	▪ Significant near-term upside valuation driver ▪ Potentially better efficacy and safety (vs. SOC)
	RPC4046 Anti IL-13 Antibody	▪ Eosinophilic Esophagitis (EoE)	▪ AbbVie Option	▪ Plans to start PII trial in early 2014	▪ Current SOC is not effective in treating EoE
Preclinical Stage	RPC1063 S1P1R Modulator	▪ Immune Disorders	▪ None	▪ Plans to evaluate as a possible treatment of other diseases	▪ S1P1R modulation could treat a whole host of immune disorders
	GLP1R Allosteric Modulator	▪ Type-2 Diabetes	▪ None	▪ Compound is currently being evaluated in preclinical studies	▪ RCPT's compound is oral (vs. injectable)

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 10: **Receptos' Near-Term Milestones**

Receptos' Near-Term Milestones



Sources: www.clinicaltrials.gov, Receptos, Credit Suisse research

Source: www.clinicaltrials.gov, Receptos, Credit Suisse research

Exhibit 11: **CS NIMO / 3 Buckets Thesis: Our View on the Potential Revolution of the MS Market**

CS NIMO / 3 Buckets Thesis:
Our View on the Potential Revolution of the MS Market

Current Treatment Options - $15.4B (2013)

ABCRs
- Avonex - BIIB
- Betaseron – BAY
- Copaxone – TEVA
- Rebif – PFE/eMRK

*ca*80% market share
Efficacy: RR 20-30%
EDSS <25%

Immuno-Suppressives
- Tysabri – BIIB/ELN
- Gilenya – NVS

*ca*20% market share
Efficacy: RR >50%
EDSS >40%

The 2013-2015 MS Revolution

- Approved Drugs
- Pipeline Drugs

Potential Future Treatment Options - $19.3B (2018)

ABCRs
- Avonex – BIIB
- Betaseron – BAY
- Copaxone – TEVA
- Rebif – PFE/eMRK
- Plegridy – BIIB

NIMOs
- Tecfidera – BIIB
- Aubagio – SNY
- Laquinimod – TEVA
- RPC1063* – RCPT

Efficacy:
> or = to ABCRs

Immuno-Suppressives
- Tysabri – BIIB/ELN
- Gilenya - NVS
- Ocrelizumab – ROG/BIIB
- Lemtrada – SNY
- Daclizumab – BIIB/ABBV

Key Points to Our NIMO/3 Bucket Thesis:

(1) We view MS therapeutics in 3 broad buckets: Two established buckets, (i) ABCR and (ii) Immunosuppressive agents, and an emerging new class of products that we call (iii) NIMO agents: **N**europrotective **I**mmuno **M**odulatory **O**ral

(2) The overall MS market is still dominated (~79% market share by value) by ABCRs (despite their relative modest efficacy and less than ideal side effect profile) as they are the only alternatives to immunosuppressive agents (~21% market share by value) and their associated serious infections concerns

(3) Tecfidera is the leading NIMO, showing efficacy above ABCRs/near Immunosuppressives AND possessing a better safety profile than Immunosuppressives (and ABCRs). In our view this will allow significant market share in new patients, but also propagate significant switching from ABCRs

(4) RPC1063 is a S1P1 modulator, within the same class as Gilenya. In our view, the totality of RCP1063's clinical profile, notably improved half-life/fast recovery of lymphocytes and improved cardiotoxicity/hepatoxicity over Gilenya could effectively position RCP1063 in a different bucket relative to Gilenya

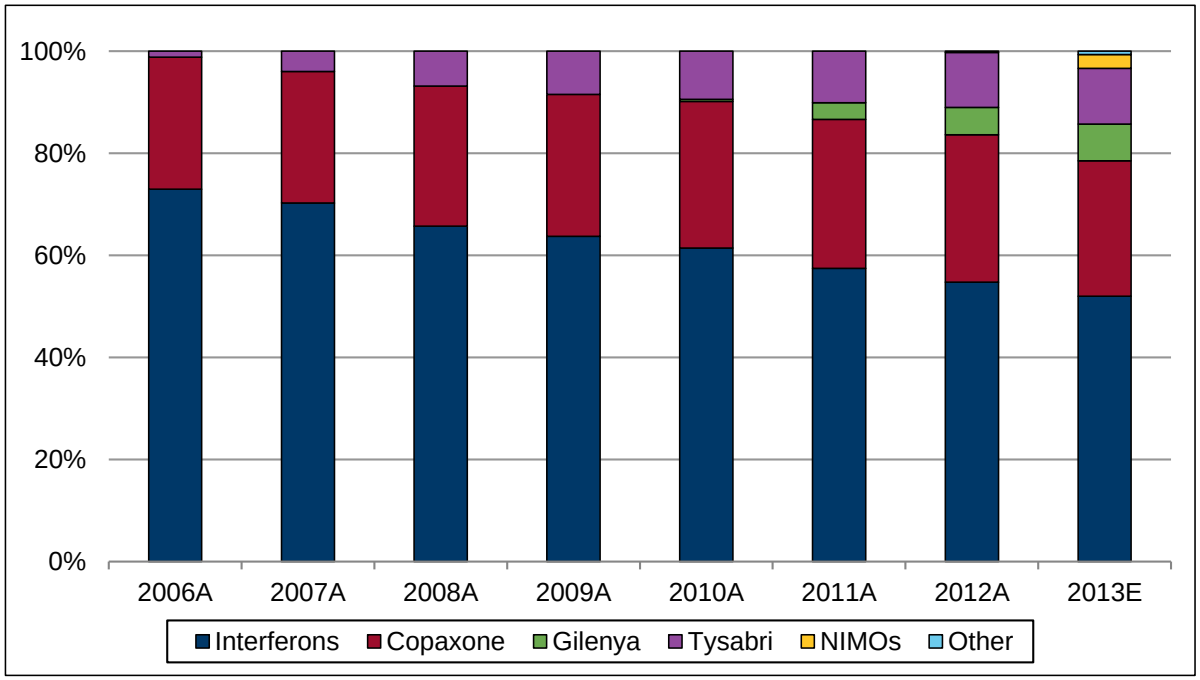
Sources: Company data, Credit Suisse research

Source: Company data, Credit Suisse research

Exhibit 12: **The MS market has historically been "sticky"**

The MS market has historically been "sticky"

ABCRs – 2006
~99% Share



ABCRs – 2013
~80% Share

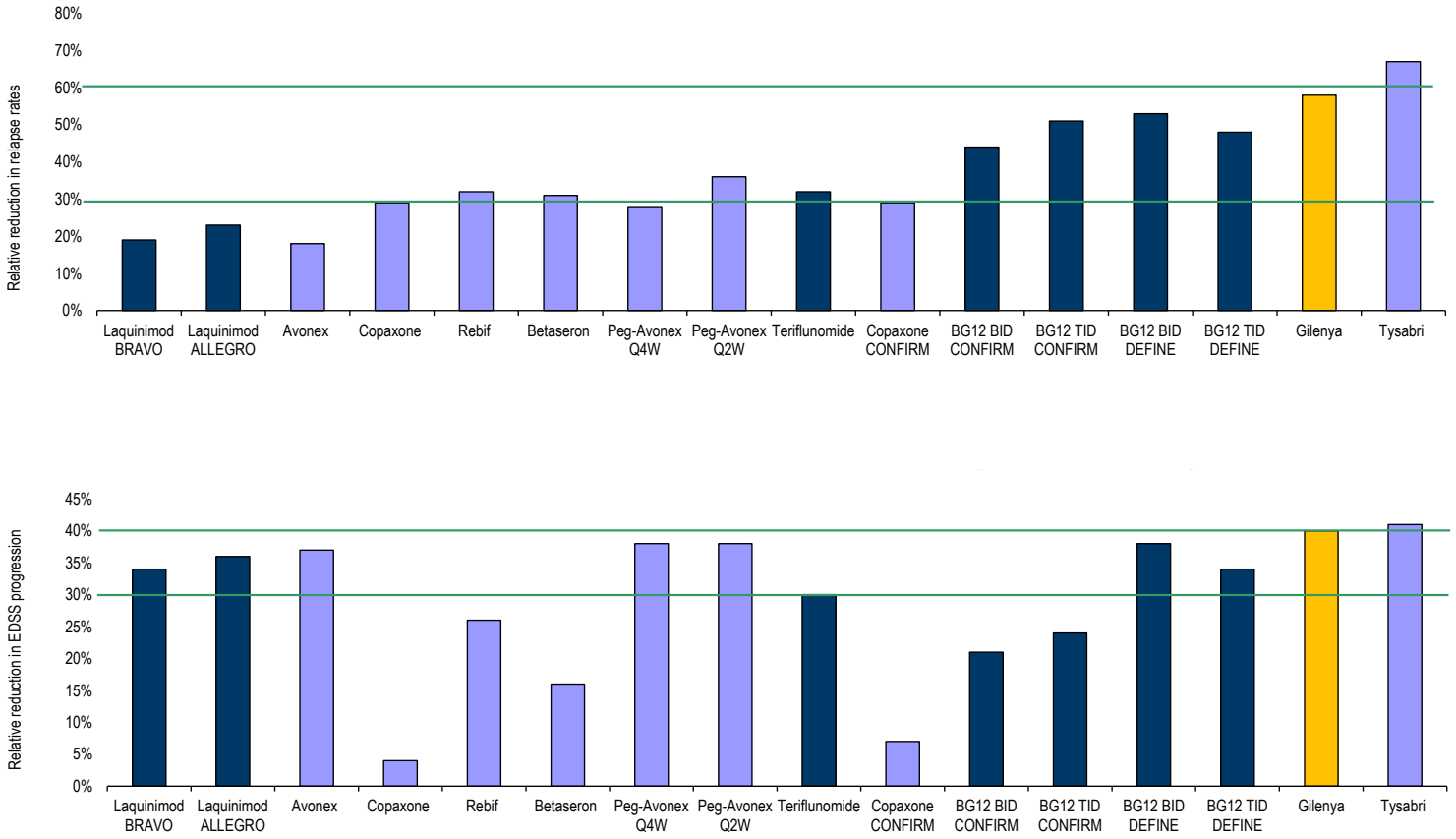
- ABCRs still have 80% patient share despite worst efficacy than Immunosuppressives
- Stickiness of ABCRs caused by more conservative approach to treatment and major safety issues associated with high-efficacy Immunosuppressives

Sources: Company data, Credit Suisse research

Source: Company data, Credit Suisse research

Exhibit 13: **Gilenya has very good efficacy, but safety concerns over side effects have provided headwinds against gold standard usage**

Gilenya has very good efficacy, but concerns over side effects have provided headwinds against gold standard usage

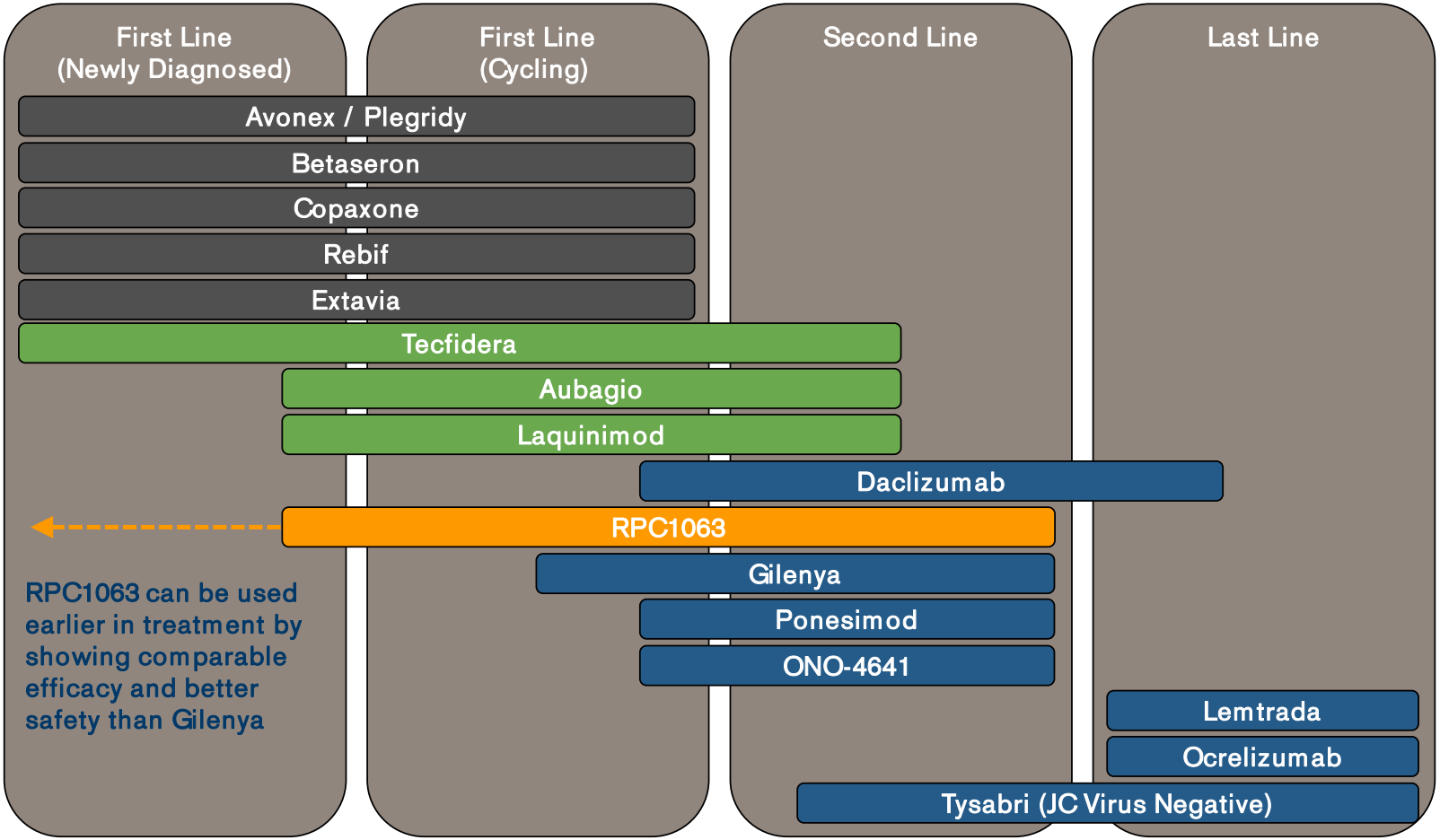


Sources: Company data, Credit Suisse research

Source: Company data, Credit Suisse research

Exhibit 14: **Relapsing Multiple Sclerosis: Sequencing Treatment Paradigm**

Relapsing Multiple Sclerosis: Sequencing Treatment Paradigm

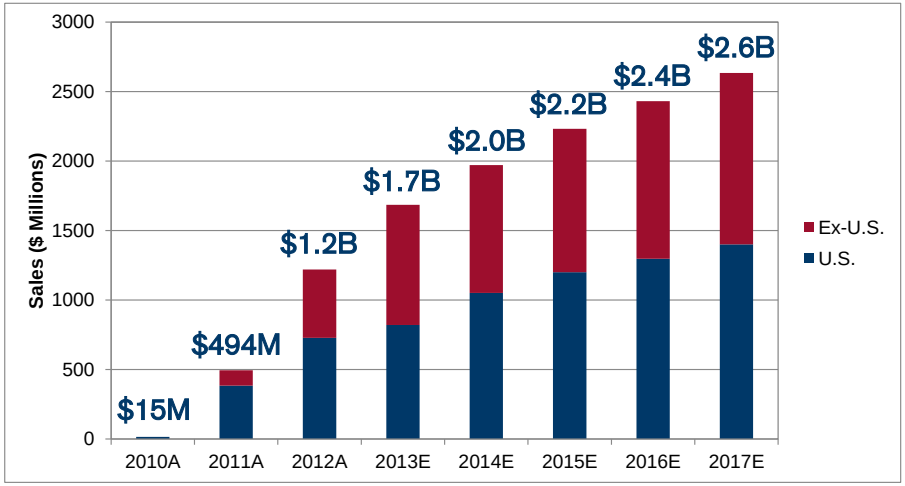


Sources: Credit Suisse research

Source: Credit Suisse research

Exhibit 15: **Gilenya became a "blockbuster" within two years of launch, with WW sales of $1.2B in 2012 (CSe $1.7B/$2.6B 2013/2017)**

Gilenya became a "blockbuster" within two years of launch, with WW sales of $1.2B in 2012 (CSe $1.7B/$2.6B 2013/2017)



- First-generation S1P1R modulator
- Approved in both the U.S. (Sep 2010) and EU (Mar 2011)
- Indicated for treatment of RMS
- High efficacy in reducing relapse rates and slowing disease progression
- Adoption by general neurologists hampered by poor safety profile and monitoring requirements associated with Gilenya's intrinsic properties (i.e. cardiac conduction profile, long half-life, hepatoxicity, less S1P1R-selectivity)

Sources:Novartis, Credit Suisse research

Source: Novartis, Credit Suisse research

More extensive adoption of Gilenya has been plagued by its poor safety profile and monitoring requirements

- Physicians generally value Gilenya because of its high efficacy and convenience
- Gilenya requires complete blood cell monitoring due to increased risk of infections
  - Long half-life of Gilenya leads to slower recovery of lymphocyte counts
  - Sustained periods with low lymphocyte counts could increase risk of infections
- Gilenya though requires first-dose electrocardiography (ECG) monitoring in RMS patients
  - Both U.S. and EU require monitoring before and after first dose of Gilenya
  - In the U.S., enhanced ECG monitoring is required in symptomatic patients and at-risk patients whereas, in the EU, continuous real-time ECG monitoring is recommended
  - In the U.S., monitoring has hampered adoption, as general neurologists do not have equipment and expertise to conduct cardiac monitoring
  - In the U.S., Novartis has mitigated this issue by offering sites to patients for first-dose monitoring and portable cardiac monitoring devices (from CardioNet) to neurologists
  - In the EU, monitoring has not been a major hurdle, given that majority of care is provided at medical centers
- Gilenya is associated with hepatoxicity
  - Label requires physicians to have liver enzyme results before starting treatment

Sources:Novartis, Credit Suisse research

Source: Novartis, Credit Suisse research

Exhibit 17: **Receptos' lead pipeline compound, RPC1063, is currently being evaluated as a treatment for relapsing multiple sclerosis**

Receptos' lead pipeline compound, RPC1063, is currently being evaluated as a treatment for relapsing multiple sclerosis

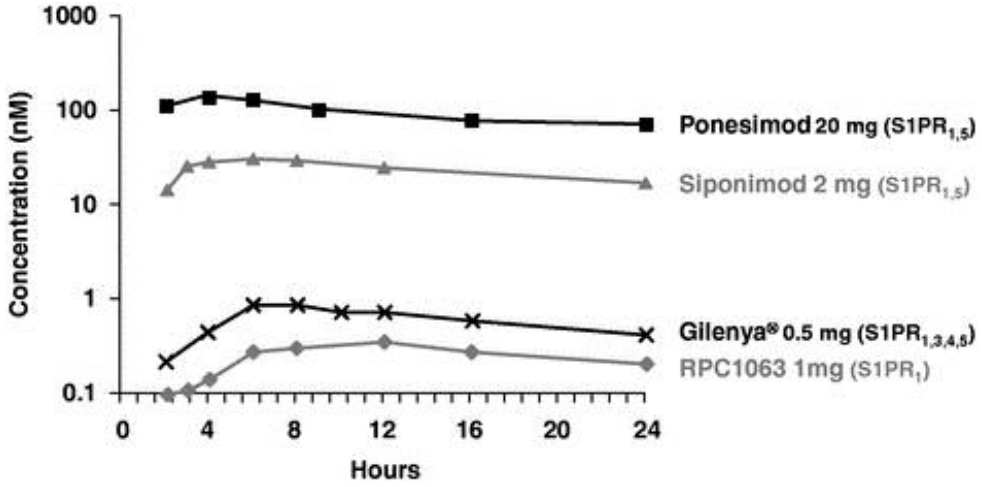
- Next-generation S1P1R modulator
- Works via the same mechanism as Novartis' Gilenya for multiple sclerosis
- Preclinical and PI data suggest that RPC1063 could improve on Gilenya's safety profile
  - Possesses more favorable intrinsic properties, demonstrated more rapid lymphocyte recovery
  - Combination of improved cardiac conduction profile and dose titration could lead to a lower magnitude decrease in first-dose heart rate
  - Potential for reduced liver toxicity, as no liver enzyme elevations have been observed yet
  - Better selectivity for S1P1R could reduce "theoretical" fibrosis safety risk
- Reached special protocol assessment (SPA) agreement with the FDA on the PIII program
  - Planning to conduct PII/PIII trial (PIII enrollment triggered by interim PII safety assessment) and an additional confirmatory PIII trial
- Topline PII RADIANCE readout in mid-2014 will provide first detailed look of RPC1063's efficacy and safety
  - PII portion of PII/PIII trial examines safety and efficacy of RPC1063 in patients with multiple sclerosis after 24 weeks of treatment
  - Planning interim safety assessment in Q4'13, triggering enrollment of PIII portion of study

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 18: **RPC1063 has the potential to improve on Gilenya's safety profile because of more favorable pharmacological properties**

RPC1063 has the potential to improve on Gilenya's safety profile because of more favorable pharmacological properties



- Overall, RPC1063 has better pharmacological properties than Gilenya and other S1P1R modulators
- In general, RPC1063 has a lower peak plasma concentration (Cmax), smaller area under the curve (AUC), higher volume of distribution, and slower time to maximum absorption
- These properties collectively may enable RPC1063 to improve on the safety

Sources:Actelion, Novartis, Receptos, Credit Suisse research

Source: Actelion, Novartis, Receptos, Credit Suisse research

Exhibit 19: **Lymphocyte counts recover more quickly after stopping treatment with RPC1063 due to its shorter half-life**

Lymphocyte counts recover more quickly after stopping treatment with RPC1063 due to its shorter half-life

	RPC1063	Gilenya	Siponimod	Ponesimod
Half-Life ($T_{1/2}$)	19 hours	168 hours	30 hours	30 hours
Time to Lymphocyte Recovery (70% Lymphocyte Reduction	<1 week	4-8 weeks	<1 week	<1 week

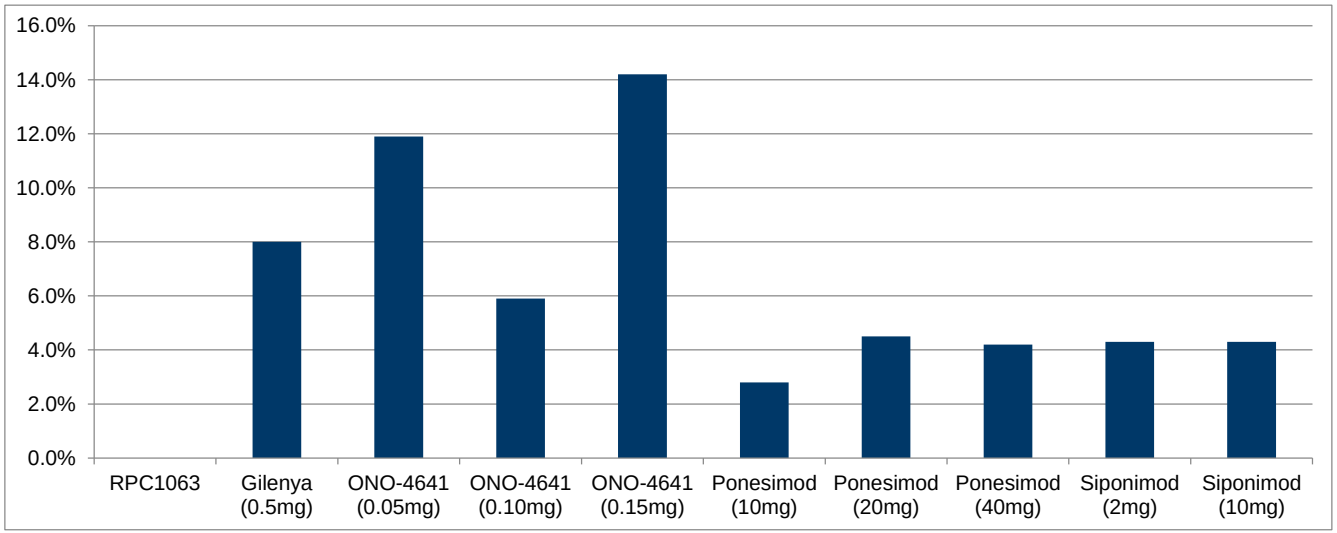
- RPC1063 has significantly faster time to lymphocyte recovery than Gilenya due to its much shorter half-life
- There appears to be less differentiation among the times to lymphocyte recovery for RPC1036, Siponimod, and Ponesimod due to generally comparable half-lives
- RPC1063 though does have a shorter half-life than Siponimod and Ponesimod

Sources:Actelion, Novartis, Receptos, Credit Suisse research

Source: Actelion, Novartis, Receptos, Credit Suisse research

Exhibit 20: **RPC1063 has the potential to have lower hepatoxicity**

RPC1063 has the potential to have lower hepatoxicity



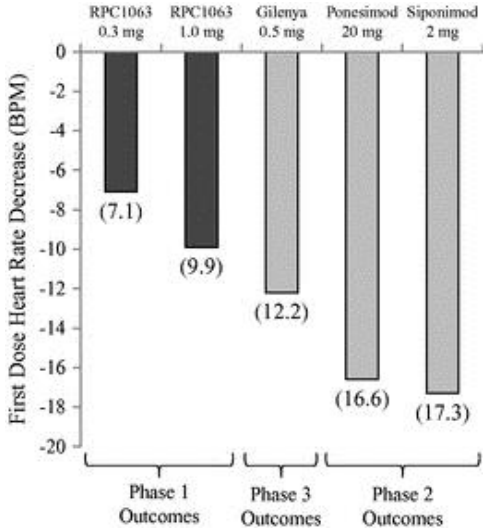
- No hepatoxicity signals observed in preclinical and PI studies for RPC1063
- Gilenya and other S1P1R modulators though did show hepatoxicity in PII or PIII trials
- Lack of hepatoxicity signals for RPC1063 is promising, but safety data following longer term dosing of RPC1063 will be needed to confirm that RPC1063 is associated with lower hepatoxicity

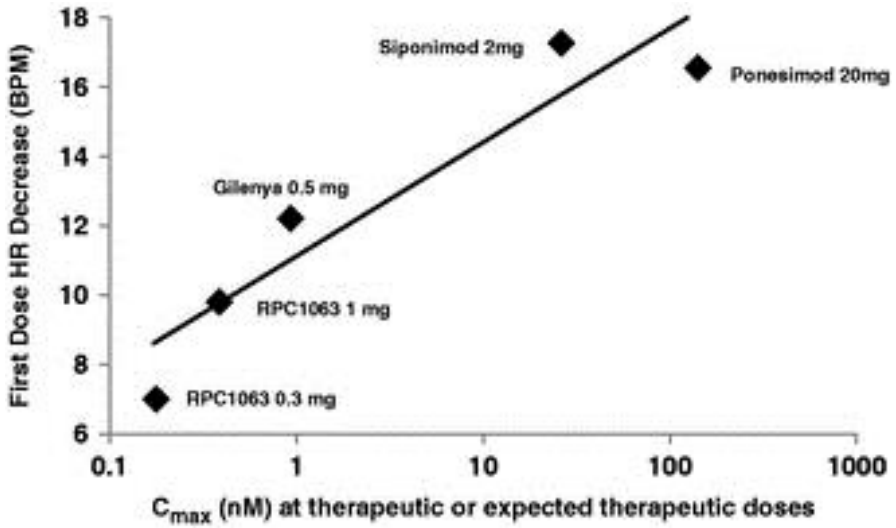
Sources:Actelion, Merck KGaA, Novartis, Ono Pharma, Receptos, Credit Suisse research

Source: Actelion, Merck KGaA, Novartis, Ono Pharma, Receptos, Credit Suisse research

Exhibit 21: **RPC1063 has a better cardiac conduction profile**

RPC1063 has a better cardiac conduction profile





- The highest dose (1.0mg) of RPC1063 being studied in the RADIANCE trial has a lower magnitude drop in heart rate after the first dose than 0.5mg Gilenya
- 1.0mg RPC1063 has a significantly lower magnitude first-dose decrease in heart rate after the first dose than Siponimod Ponesimod
- RPC1063's improved cardiac profile likely stems from a slower time to maximum absorption and a lower peak plasma concentration

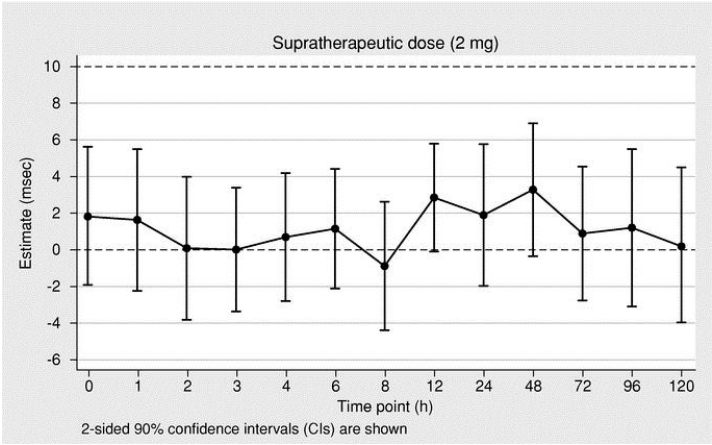
Sources:Actelion, Novartis, Receptos, Credit Suisse research

Source: Actelion, Novartis, Receptos, Credit Suisse research

Titration of RPC1063 can improve cardiac safety

- Receptos evaluated titrated therapeutic (1mg) and supratherapeutic (2mg) doses of RPC1063
- No relevant effects on the QTc interval were observed with RPC1063
- No relevant effects on cardiac repolarization were observed with RPC1063
  - Change in the QTc interval was always below the 95% CI limit (<10ms)
- Like other S1P1R modulators, RPC1063 did have a first-dose drop in heart rate
  - A decline of 5-7bps was observed at 0.25mg during titration of RPC1063
- In contrast, an effect on the QTc interval was seen with supratherapeutic doses (0.5mg or 1.25mg) of Gilenya
  - Gilenya prolonged the QTc interval, with the upper bound of the 90% CI of 14.0ms

QTc Changes of Supratherapeutic RPC1063 Dose (2mg)

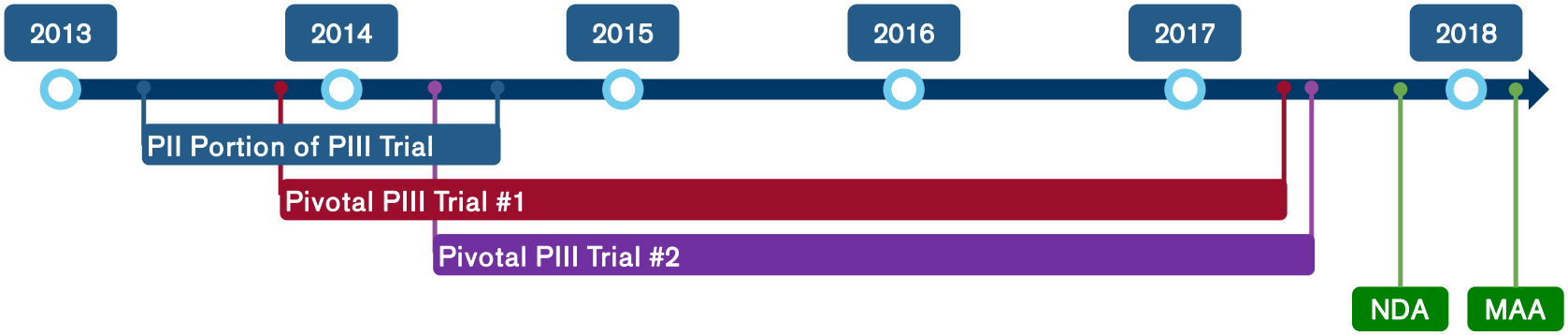


Sources:Novartis, Receptos, Credit Suisse research

Source: Novartis, Receptos, Credit Suisse research

Exhibit 23: **RPC1063: Clinical Development Pathway under FDA SPA**

RPC1063: Clinical Development Pathway under FDA SPA



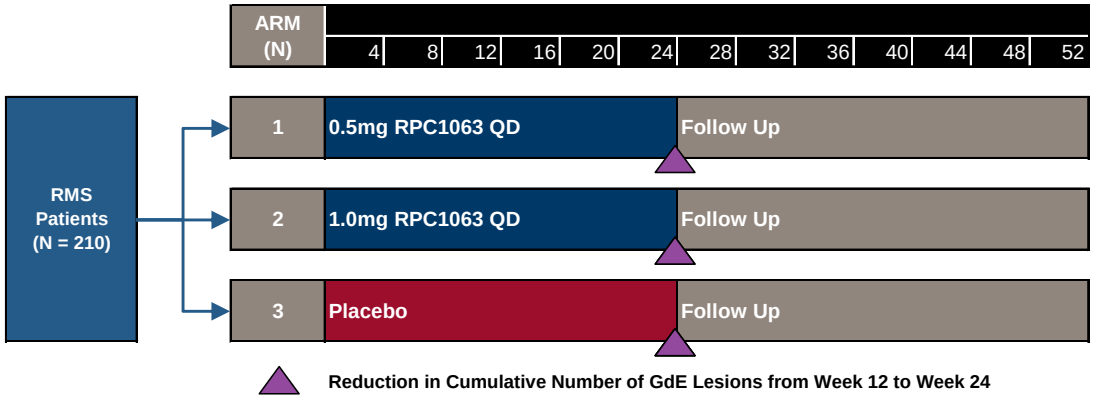
Name	Stage	Number of Patients	Primary Endpoint(s)	Start of Enrollment	Expected Readout
PII Portion of PIII RADIANCE Trial	PII	~210	Superiority compared to placebo in reduction in cumulative number of total gadolinium enhancing (GdE) lesions via MRI from Week 12 to Week 24	Q2'13	Mid-2014
PIII Trial #1	PIII	~900	Superiority compared to Avonex in reducing the Annualized Relapse Rate (ARR) at Month 24	Q4'13	H1'17
PIII Trial #2	PIII	TBD	TBD	Q2'14	H1'17

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 24: **RPC1063: PII RADIANCE Trial Design**

RPC1063: PII RADIANCE Trial Design



Patient Population	• Relapsing multiple sclerosis • EDSS score between 0.0 and 5.0 at baseline
Treatment	• 0.5/1.0mg RPC1063 QD
Primary Endpoints	• Reduction in cumulative number of GdE lesions from Week 12 to Week 24
Secondary Endpoints	• Annualized relapse rate • EDSS disability progression • Safety and tolerability
Expected Readout	• Topline data expected in mid-2014

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 25: **The PII RADIANCE readout is the key catalyst for RPC1063**

The PII RADIANCE readout is the key catalyst for RPC1063

- Provides first "real" look of efficacy and safety/tolerability of RPC1063 in RMS patients
- Enables Receptos to potentially secure a partner or an outright sale

Multiple Sclerosis Recent Deals

Date	Deal Type	Companies	Product	Deal Terms
Jun 2004	Partnership	▪ Teva ▪ Active Biotech	▪ Laquinimod	▪ Upfront payment of $5M ▪ Up to $92M in milestones ▪ Teva funds clinical development and commercialization ▪ Tiered double-digit royalties on WW sales
Aug 2005	Partnership	▪ Biogen Idec ▪ Facet Biotech	▪ Daclizumab	▪ Signed general research collaboration for upfront payment of $40M and purchase of $100M in PDL Biopharma stock ▪ Up to $260M in development and regulatory milestones ▪ Commercialization and co-promotion rights ▪ 50/50 cost sharing ▪ 50/50 profit split in U.S., Canada, and EU ▪ Royalties on sales in ROW
Jun 2006	Acquisition	▪ Biogen Idec ▪ Fumapharm	▪ Tecfidera	▪ Upfront payment of $220M ▪ $15M in regulatory milestones and "additional" earn-outs
Mar 2010	Acquisition	▪ Abbott ▪ Facet Biotech	▪ Daclizumab	▪ $722M ($450M net of cash and cash equivalents)
Oct 2011	Partnership	▪ Merck KGaa ▪ Ono Pharma	▪ ONO-4641	▪ Obtained WW rights ex Taiwan, South Korea, and Japan ▪ Upfront payment of ¥1.5B (~$15M) ▪ Eligible for development and commercial milestones
Mar 2012	Acquisition	▪ Royalty Pharma ▪ Fumapharm	▪ Tecfidera	▪ $761M for Tecfidera earn-outs

Sources: Company data, Credit Suisse research

Source: Company data, Credit Suisse research

S1P1R Modulator Competitive Landscape

- Other S1P1R modulators in the pipeline could launch around same time as RPC1063
- However, unlike RPC1063, other late-stage S1P1R modulators continue to show side effects associated with Gilenya
- Key sensitivity for RPC1063 is complete differentiation of its safety profile relative to Gilenya

S1P1R Modulator Pipeline

Product	Companies	Stage	Comments
Siponimod	Novartis	PIII (SPMS) PII (RMS)	▪ Started enrolling SPMS patients into EXPAND PIII trial in Jan 2013 ▪ Showed promising efficacy ▪ Associated with bradycardia and AV blocks ▪ Possesses much shorter half-lifer than Gilenya
Ponesimod	Actelion	PII (RMS)	▪ Showed signs of efficacy slightly below Gilenya ▪ Associated with AV block and heart rate reduction ▪ Actelion plans to start a PIII trial in RMS after finding a partner
ONO-4641	Merck KGaa Ono Pharma	PII (RMS)	▪ Showed high efficacy potential ▪ Associated with AV block and hepatoxicity ▪ Merck KGaa and Ono Pharma are evaluating whether to take the compound into PIII trials
MT-1303	Mitsubishi	PII (RMS)	▪ N/A
ABT-413	AbbVie	PI	▪ N/A
CS-0777	Daiichi	PI	▪ N/A
APD334	Arena	PC	▪ N/A

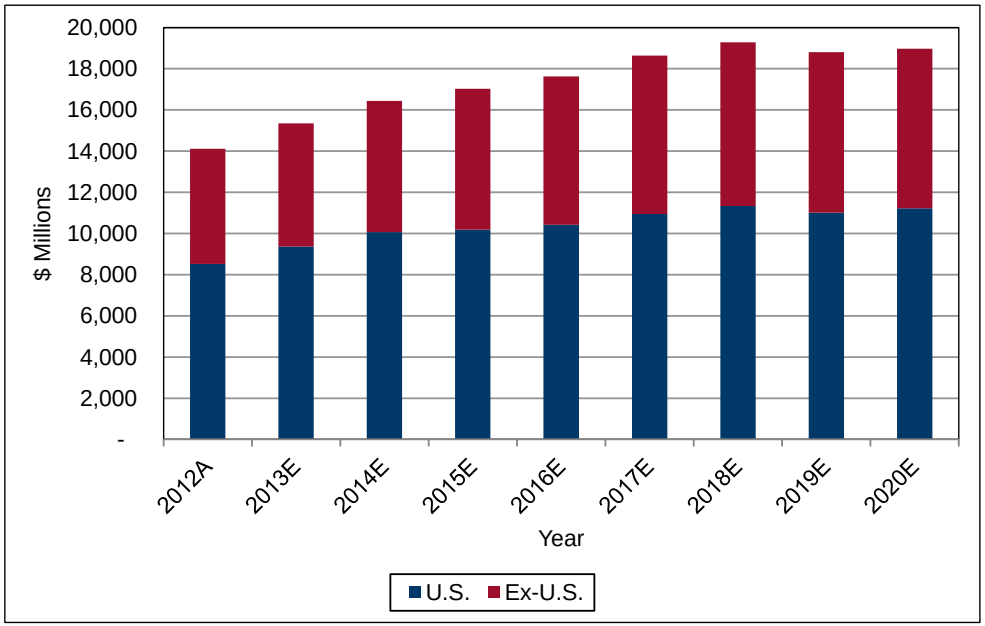
Sources: Company data, Credit Suisse research

Source: Company data, Credit Suisse research

Multiple Sclerosis Market – WW Sales 2012-2020

Market in 2012

- ~665K MS patients treated with disease modifying agents
- WW Sales: ~$14B



Market in 2020

- ~810K MS patients treated with disease modifying agents
- WW Sales: ~$19B

RPC1063	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Sales	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	$13M	$355M	$813M	$1114M	$1290M	$1421M	$1513M
Share	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	~0.1%	1.9%	4.5%	5.6%	6.3%	6.6%	6.8%

- RPC1063 is expected to capture 4.5% of the global MS market by value in 2020 (3rd year of sales) and 6.8% by 2024

Sources:Company data, Credit Suisse estimates

Source: Company data, Credit Suisse estimates.

Exhibit 28: **Receptos Revenue Model**

Receptos Revenue Model

	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
(Dollars in thousands, except share and per share amounts)														
RPC1063 Royalty	0	0	0	0	0	0	0	2,649	70,972	162,551	222,879	258,046	284,243	302,796
Milestones	0	0	0	20,000	0	0	25,000	75,000	0	0	0	0	0	0
Collaborative Revenues	9,232	8,647	1,520	2,150	0	0	0	0	0	0	0	0	0	0
Total Revenues	**9,232**	**8,647**	**1,520**	**22,150**	**0**	**0**	**25,000**	**77,649**	**70,972**	**162,551**	**222,879**	**258,046**	**284,243**	**302,796**

- Receptos revenues consist of the following:
  - Royalties on RPC1063 sales in relapsing multiple sclerosis only
  - One-time payments for meeting clinical, regulatory and commercial milestones associated with RPC1063 in RMS indication only
- 20% royalty rate on RPC1063 WW net sales
- ~$1.5B peak WW sales in 2024, declining to ~$830M in 2029
- $20M upfront payment upon licensing RPC1063 in relapsing multiple sclerosis only
- Up to $100M in clinical, regulatory, and commercial milestones

Sources:Receptos, Credit Suisse estimates

Source: Receptos, Credit Suisse estimates

Exhibit 29: **Receptos has strong protection via composition of matter patents on both RPC1063 and RPC4046**

Receptos has strong protection via composition of matter patent on both RPC1063 and RPC4046

Compound	Patent Portfolio	Patent Expiration	Potential Patent Expiration with Extension
RPC1063	▪ Consists of composition of matter for RPC1063 and multiple chemical scaffolds as well as their metabolites, synthetic intermediates, manufacturing methods, and methods of use	▪ CoM: 2029 (U.S.) ▪ CoM: 2029 (Ex-U.S.) ▪ Others: 2030-2032 (WW)	▪ CoM: Up to 2034 (U.S.) ▪ CoM: 2029+ (Ex-U.S.)
RPC4046	▪ Consists of composition of matter for RPC4046 and its methods of use	▪ CoM: 2028 (U.S.) ▪ CoM: 2027 (Ex-U.S.)	▪ CoM: Up to 2033 (U.S.) ▪ CoM: 2027+ (Ex-U.S.)
GLP-1R PAMs	▪ Consists of composition of matter for multiple chemical scaffolds as well as certain methods of use	▪ CoM: 2031-2032 (U.S.) ▪ CoM: 2031-2032 (Ex-U.S.)	▪ CoM: Up to 2037 (U.S.) ▪ CoM: 2031+ (Ex-U.S.)
GPCR Structure Determination	▪ Consists of methods and compositions for obtaining high resolution crystals of GPCRs	▪ 2028-2032 (U.S.) ▪ 2028-2032 (Ex-U.S.)	▪ Not Applicable ▪ Not Applicable

GPCR: G-Protein Coupled Receptor
CoM: Composition of Matter
GLP-1R PAM: Glucagon-Like Peptide-1 Receptor Positive Allosteric Modulator

- RPC1063's composition of matter patents expire in 2029 worldwide
- RPC4046's composition of matter patents expire in 2028 in U.S. and 2027 in Ex-U.S.

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 30: **Rest of Receptos' Clinical-Stage Pipeline**

Rest of Receptos' Clinical-Stage Pipeline

- RPC1063 in Ulcerative Colitis (UC)
  - Gastrointestinal inflammatory disorder involving ulcers in the colon leading to a variety of symptoms including diarrhea, rectal bleeding, and abdominal pain
  - Potential to be an oral version of Takeda's Vedolizumab, given effect on same types of lymphocytes
  - Currently being studied in PII TOUCHSTONE trial
  - Expecting proof-of-concept PII TOUCHSTONE readout in mid-2014
  - PII study could be considered a pivotal PIII trial, assuming results are sufficiently compelling per the agreement with the FDA
  - Efficacy in Ulcerative Colitis could predict efficacy in Crohn's Disease
- RPC4046 in Eosinophilic Esophagitis (EoE)
  - Chronic, immune-mediated atopic gastrointestinal-related disease leading to symptoms associated with esophageal dysfunction including food impaction and difficulty swallowing
  - Anti-IL13 monoclonal antibody
  - In-licensed from AbbVie; Receptos required to fund by Sep 2013
  - AbbVie has option to opt into collaboration to acquire ex-U.S. rights (Receptos retains U.S. rights)
  - PII trial could start in early 2014
  - No FDA-approved drugs for treating Eosinophilic Esophagitis

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 31: **Receptos is also evaluating RPC1063 as a potential treatment for ulcerative colitis, a type of inflammatory bowel disease**

Receptos is also evaluating RPC1063 as a potential treatment for ulcerative colitis, a type of inflammatory bowel disease

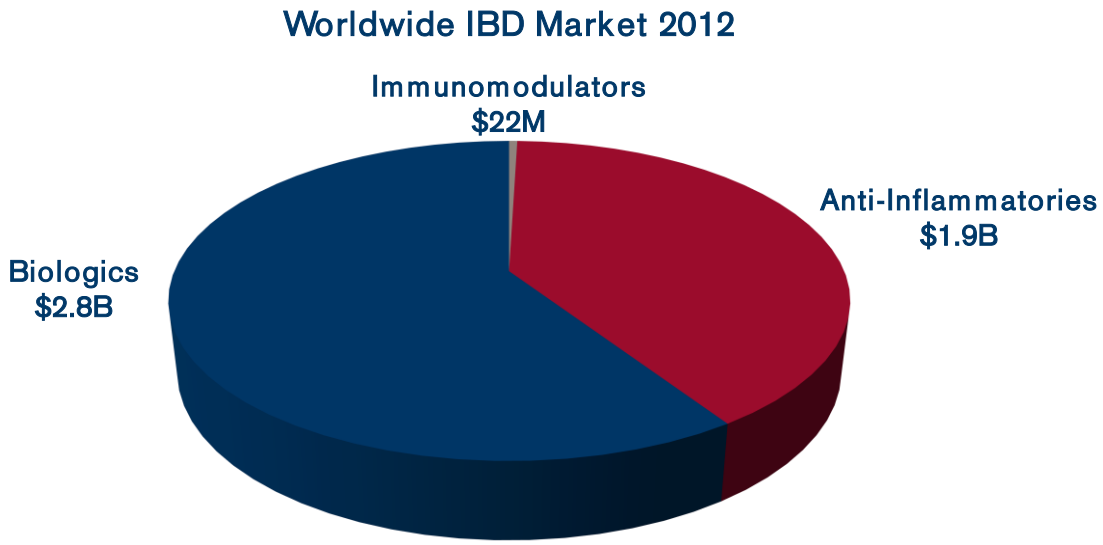
- Targeting ulcerative colitis as the initial clinical development path
- Proof-of-concept for lymphocyte trafficking mechanism provided through Biogen Idec's Tysabri and Takeda's/Millenium's Vedolizumab
  - RPC1063 affects many of the same T-cell populations as Vedolizumab
- Currently being studied in PII TOUCHSTONE trial
  - Evaluating 0.5mg and 1.0mg doses of RPC1063
  - Targeting enrollment of 180 patients with moderate-to-severe ulcerative colitis
  - Including sites across North America, Europe, and Asia Pacific
  - Using primary endpoint of induction of clinical remission at Week 8
  - Expecting topline PII readout in mid-2014
- TOUCHSTONE could be considered a PIII trial in ulcerative colitis, if the clinical efficacy is statistically significant and sufficiently compelling per the agreement with the FDA
  - If TOUCHSTONE is accepted as a pivotal trial by the FDA, then Receptos will only need to conduct two additional PIII studies (for induction and maintenance of clinical remission)
- Plans to examine RPC1063 in Crohn's Disease if RPC1063 is effective in ulcerative colitis
  - Efficacy in ulcerative colitis is likely predictive of efficacy in Crohn's Disease
- Plans to file NDA (U.S.) in 2018 and MAA (EU) in 2018/2019

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 32: **IBD Market Overview**

IBD Market Overview



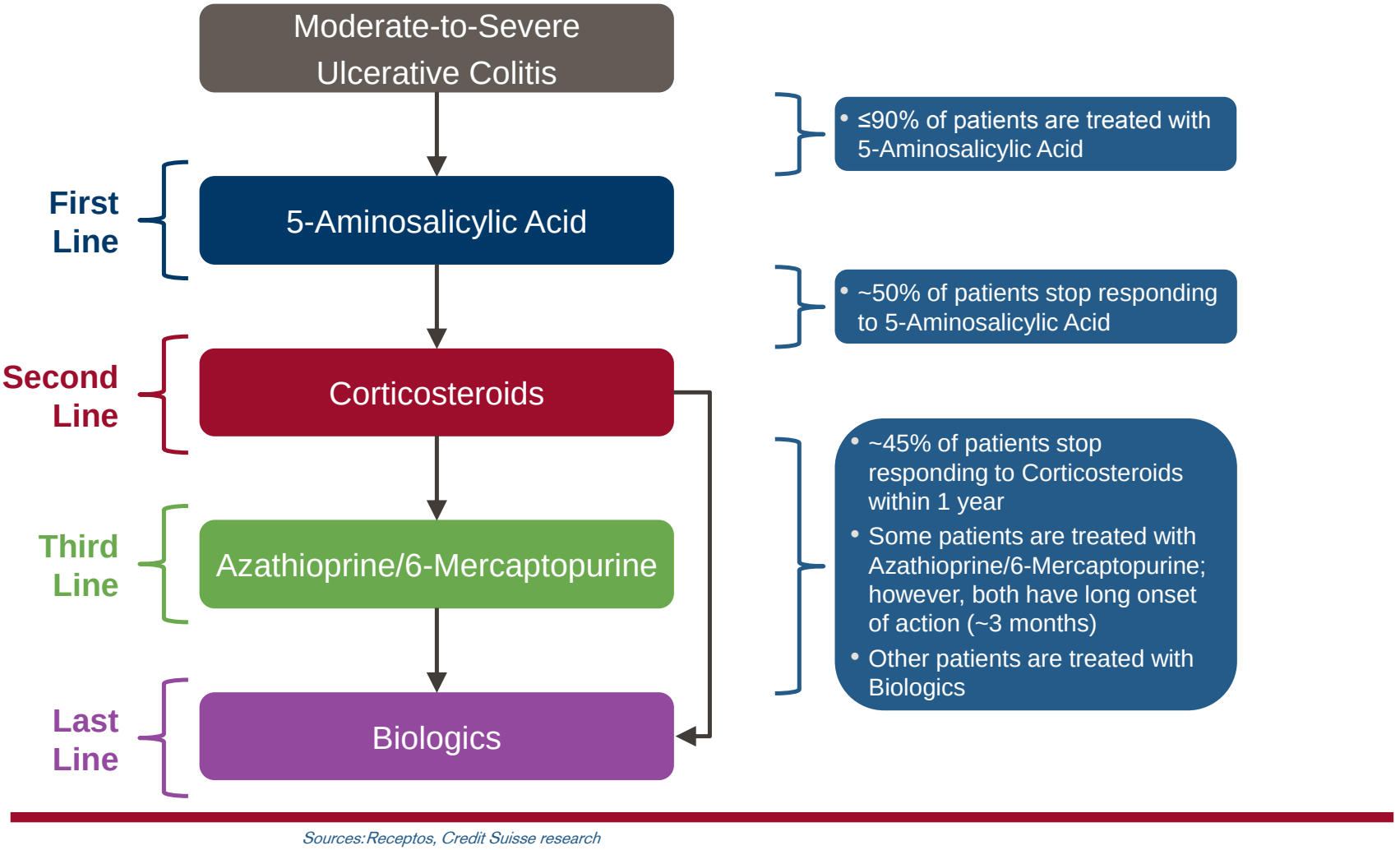
- ~2.5M patients with inflammatory bowel disease worldwide
  - ~1.5M patients with ulcerative colitis worldwide (U.S.: ~580K, Ex-US: ~920K)
- WW market estimated at ~$5B in 2012

Category	Sales	Drugs
Immunomodulators	$22M	Methotrexate (MTX), Azathioprine (AZA), 6-Mercaptopurine (6-MP)
Anti-Inflammatories	$1.9B	Mesalamine, Budesonide, Hydrocortisone
Biologics	$2.8B	Cimzia, Humira, Remicade, Tysabri

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

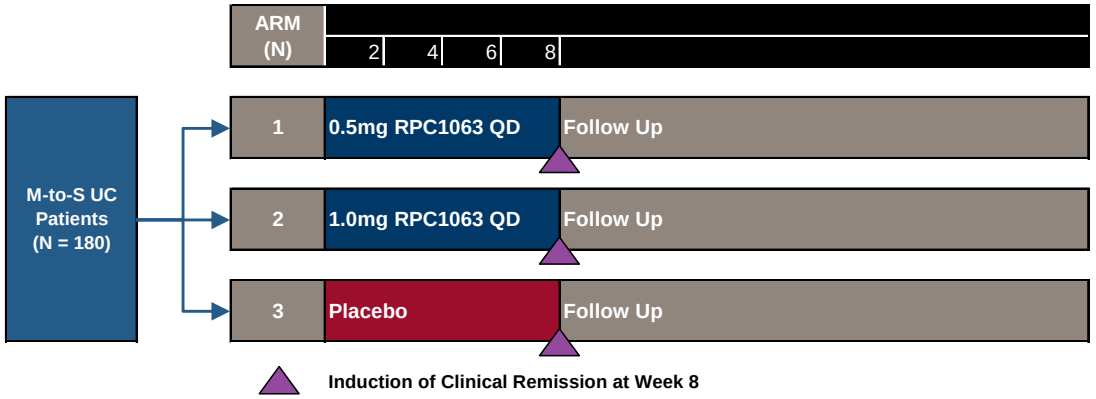
Exhibit 33: **Ulcerative Colitis: Current Treatment Paradigm**



Source: Receptos, Credit Suisse research

Exhibit 34: **RPC1063: PII TOUCHSTONE Trial Design**

RPC1063: PII TOUCHSTONE Trial Design



Patient Population	• Moderate-to-severe ulcerative colitis
Treatment	• 0.5/1.0mg RPC1063 QD
Primary Endpoints	• Induction of clinical remission at Week 8
Secondary Endpoints	• Clinical response at Weeks 8 and 32 • Clinical remission at Weeks 8 and 32 • Mucosal healing at Weeks 8 and 32 • Safety and tolerability
Expected Readout	• Topline data expected in mid-2014

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Eosinophilic Esophagitis Overview

- Chronic, immune-mediate atopic gastrointestinal-related disease
  - Caused by excessive build-up of eosinophils (i.e. white blood cells) in the esophagus resulting from reaction to foods, allergens, and acid reflux
  - Leads to esophageal dysfunction including food impaction and difficulty swallowing
- Categorized as an orphan disease
- ~315K in the U.S. and EU (U.S.: ~160K; EU: ~145K)
- Significant unmet medical needs remain, given that there are no approved therapies
- Current standard-of-care, topical steroid treatment, is generally not very effective
  - Majority relapse within ~4 months of starting treatment with topical steroids
  - Use of topical steroids are associated with numerous side effects including fungal infections

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 36: **RPC4046 is currently being examined as a potential treatment for active eosinophilic esophagitis**

RPC4046 is currently being examined as a potential treatment for active eosinophilic esophagitis

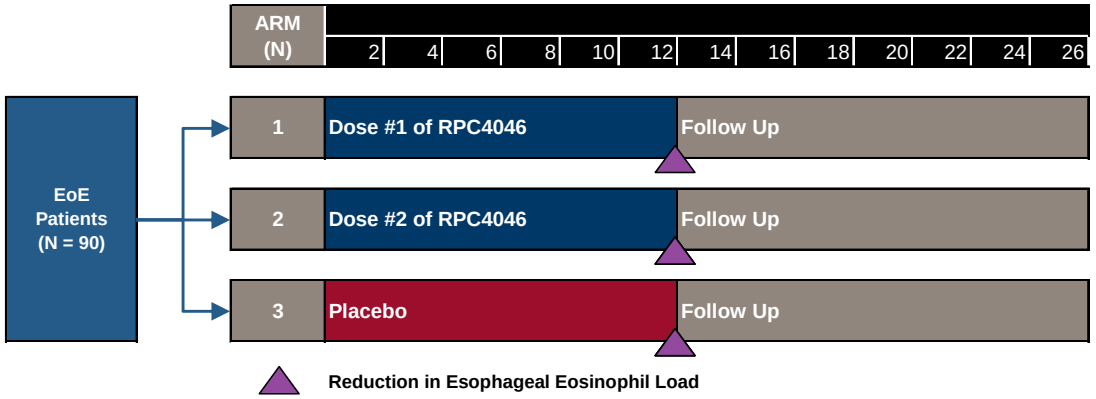
- Recombinant, humanized, anti-IL13 mAb
- Mechanism validated by Genentech's Lebrikizumab, a mAb that targets the IL13 pathway, in asthma
- In-licensed from AbbVie
  - Receptos required to fund by Sep 2013
  - Receptos holds worldwide commercial rights
  - AbbVie though can opt-in for ex-U.S. rights only after results from the PII trial
- Received orphan disease designation from the FDA
- Expects to start PII trial in early 2014
  - Plans to examine 2 doses of RPC1063
  - Targeting enrollment of ~90 patients
  - Anticipate primary endpoint of reduction in esophageal eosinophil at 12 weeks as defined by mean eosinophil number
  - Expecting topline PII readout in H2'15

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 37: **RPC4046: PII Trial Design**

RPC4046: PII Trial Design



Patient Population	• Eosinophili Esophagitis
Treatment	• 2 doses of RPC4046
Primary Endpoints	• Reduction in esophageal eosinophil load at 12 weeks as defined by mean eosinophil number
Secondary Endpoints	• Proportion with histologic response and remission • Dysphagia clinical symptom improvement based on patient diaries, EESAI, and Mayo Dysphagia scores • Safety and tolerability • Pharmaocokinetics • Biomarkers
Expected Readout	• Topline data expected in H2'15

Sources:Receptos, Credit Suisse research

Source: Receptos, Credit Suisse research

Exhibit 38: **Biogen Idec: Tecfidera Overview**

Biogen Idec: Tecfidera Overview

General Overview	▪ Orally administered dimethyl fumarate, a prodrug of monomethyl fumarate ▪ Immunomodulator with neuroprotective properties ▪ Obtained through acquisition of Fumapharm AG in 2006 ▪ Phase III program (DEFINE and CONFIRM) evaluated BG-12 in RRMS ▪ Approved on Mar 27, 2013 ▪ Strong launch in U.S. so far
Drug Profile	▪ Tecfidera appears to be superior to ABCRs from efficacy and safety standpoints ▪ Tecfidera had impressive efficacy and excellent safety/tolerability in DEFINE – Reduced relapse rates (vs pbo) by 53% for BID (p<0.0001) and 48% for TID (p<0.0001) – Reduced EDSS progression (vs pbo) by 38% for BID (p=0.0050) and 34% for TID (p=0.128) ▪ CONFIRM generally "confirmed" Tecfidera's profile established in DEFINE – Reduced relapse rates (vs pbo) 44% for BID and 51% for TID – Reduced EDSS progression (vs pbo) by 21% for BID (p=NS) and 24% for TID (p=NS) – BG-12 showed numerical superiority in reducing relapse rates and EDSS disease progression ▪ Most common AEs in DEFINE and CONFIRM were transient flushing and GI disorders ▪ Reduction in EDSS progression supported by integrated analysis of DEFINE and CONFIRM (32%, BID, p=0.0034 and 30%, TID, p=0.0059)
Next Catalysts	▪ Tecfidera Launch Trajectory ▪ EMA Approval in H2'13

Sources:Biogen Idec, Credit Suisse research

Source: Biogen Idec, Credit Suisse research

Exhibit 39: **Sanofi: Aubagio Overview**

Sanofi: Aubagio Overview

General Overview	▪ Orally administered active metabolite of leflunomide ▪ Immunomodulator that reduces B- and T-cell counts by stopping cell division ▪ Reported Q1'13 sales of $26M (launched in early Oct 2012) ▪ Phase III program evaluated Aubagio in RRMS (TEMSO, TOWER, TENERE) and first clinical episodes suggestive of MS (TOPIC) ▪ Being positioned for patients with early MS or moderate RRMS ▪ CS views as potential wildcard competitor to Tecfidera
Drug Profile	▪ Efficacy appears to be comparable to ABCRs, but inferior to Immunosuppressives ▪ Safety appears to be slightly better than both ABCRs and Immunosuppressives ▪ In TEMSO, Aubagio demonstrated modest efficacy and good safety/tolerability – Reduced relapse rates at 2 years (vs pbo) by 31% for 7 mg ($p<0.001$) and 32% for 14 mg ($p<0.001$) – Reduced EDSS (vs pbo) by 24% for 7 mg ($p=0.08$) and 30% for 14 mg ($p=0.03$) – Most common AEs due to Aubagio were diarrhea, hair thinning, elevated ALTs, and high blood pressure ▪ TOWER confirmed the efficacy of 14mg dose ▪ In TENERE, Aubagio showed comparable efficacy to Rebif (and rest of ABCRs) – Risk of treatment failure was comparable in all arms (49% for 7 mg, 38% for 14 mg, 42% for Rebif) – Both doses had higher annual relapse rates (0.410 for 7 mg, 0.259 for 14 mg) than Rebif (0.216) – Aubagio appears to have safety/tolerability profile comparable to that observed in TEMSO
Next Steps	▪ Aubagio Launch Trajectory ▪ EMA Approval in H2'13

Sources:Sanofi, Credit Suisse research

Source: Sanofi, Credit Suisse research

Sanofi: Alemtuzumab Overview

General Overview	▪ Yearly IV-administered humanized anti-CD52 mAb targeting B- and T-cells ▪ Immunosuppressive mechanism of action ▪ Currently approved for treatment of B-cell chronic lymphocytic leukemia (B-CLL) ▪ Obtained through acquisition of Genzyme ▪ Being positioned for treatment of severe RMS ▪ Likely competitor of other Immunosuppressives (e.g. Gilenya, Tysabri)
Drug Profile	▪ Efficacy is generally superior to ABCRs, and comparable to Immunosuppressives ▪ Both Phase III trials showed high efficacy in reducing relapse rates relative to Rebif – Reduced relapse rates (vs Rebif) by 55% in CARE-MS I ($p<0.0001$) and 49% in CARE-MS II ($p<0.0001$) ▪ However, only CARE-MS II showed a statistically significant reduction in disease progression – In CARE-MS I, there was no statistical significant reduction in EDSS progression (vs Rebif) – In CARE-MS II, there was a 42% reduction in EDSS progression (vs Rebif) ▪ Safety remains a concern due to increased risk of immune-related conditions including autoimmune thyroid disorders, immune thrombocytopenia, and infections ▪ AEs leading to withdrawal and discontinuation were lower for Lemtrada relative to Rebif
Next Steps	▪ FDA PDUFA in Q4'13 ▪ CHMP Opinion in h2'13

Sources:Sanofi, Credit Suisse research

Source: Sanofi, Credit Suisse research

Teva / Active Biotech: Laquinimod

General Overview	▪ Orally administered linomide successor ▪ Immunomodulator with potential neuroprotective properties ▪ Expecting CHMP opinion in 2013 ▪ Being developed by Teva (Obtained via partnership agreement with Active Biotech) ▪ Originally evaluated in 2 Phase III trials, ALLEGRO and BRAVO ▪ Teva recently initiated a third Phase III trial (CONCERTO) in RRMS evaluating two doses (0.6mg and 1.2mg)
Drug Profile	▪ BRAVO failed to hit the primary endpoint – Failed to show statistically significant reduction in relapse rates (vs pbo) – Failed to show numerical superiority in reducing relapse rates relative to active comparator Avonex – Demonstrated reduction in EDSS progression of 33.5% (p=0.044) ▪ However, ALLEGRO did hit the primary endpoint – Showed ARR of 26% (p=0.002) and reduction in EDSS progression of 36% (p=0.0122) ▪ Both trials though showed some very good MRI outcomes, suggesting that Laquinimod could be neuroprotective
Next Steps	▪ Readout from CONCERTO in 2014/2015 ▪ CHMP Opinion in H2'13

Sources: Teva, Active Biotech, Credit Suisse research

Source: Teva, Active Biotech, Credit Suisse research

Roche / Biogen Idec: Ocrelizumab

General Overview	▪ Twice-a-year IV-administered, humanized anti-CD20 mAb targeting CD20+ B-cells ▪ Considered next-generation Rituxan ▪ Roche/Genentech are lead developers, while Biogen Idec retains an economic interest ▪ Phase III program is examining Ocrelizumab in RRMS (OPERA I/II) and PPMS (ORATORIO) ▪ Initiated ORATORIO in Q1'11 and OPERA I/II in Q3'11
Drug Profile	▪ Ocrelizumab demonstrated high efficacy and good safety in a Phase II trial – Reduced relapse rates at 24 weeks (vs pbo) by 80% for 600 mg arm (p=0.0005) and 73% for 2000 mg arm (p=0.0014) – Both doses showed numerical superiority in reducing relapse rates (vs pbo) over Avonex (43% vs pbo) – Incidence of SAEs were comparable across arms: 2% (600 mg), 5% (2000 mg), 4% (Avonex), 4% (pbo) – There was one death due to brain swelling in 2000 mg arm ▪ However, safety remains a concern, as separate trials in rheumatoid arthritis and lupus erythymatosus (for 1000 mg dose) were terminated in 2010 due to side effects – DSMB review of the STAGE trial showed that numerous patients developed serious infections, of which some were fatal – Roche believes the lower dose, younger patient population, and absence of concomitant immunosuppressant use could result in a better safety/tolerability profile in patients with MS
Next Steps	▪ Readout from OPERA I/II in 2015 ▪ Readout from ORATORIO in 2017

Sources:Roche, Biogen Idec, Credit Suisse research

Source: Roche, Biogen Idec, Credit Suisse research

AbbVie / Biogen Idec: Daclizumab

General Overview	▪ Humanized anti-CD25 (IL2R-alpha) mAb – T Cell targeting ▪ Subcutaneous injection, once every 4 weeks ▪ Approved (but not marketed for commercial reasons) for transplant rejection as Zenapax ▪ Developed in 50/50 collaboration with AbbVie (via Facet Biotech) ▪ Currently being studied in DECIDE Phase III trial for RRMS (Enrollment started in May 2010).
Drug Profile	▪ Positive results from adding daclizumab to interferon beta as shown in Phase II CHOICE study ▪ Reported positive topline efficacy data from SELECT Phase II/III trial (vs. placebo, 1 year study) – 54% (150mg) and 50%(300mg) relative decrease in relapse rates – Showed reduced number of new or newly enlarging T2 hyperintense lesions at 1 year (70% for 150mg, 79% for 300mg) – Demonstrated statistically significant reduction in cumulative number of new lesions between 8-24 weeks (69% for 150mg, 78% for 300mg) – Some infectious disease concerns (serious 2% vs. 0%, plac/dac) and LFT 5x UNL 4% vs. 1%
Next Steps	▪ Readout from DECIDE in 2014

Sources:AbbVie, Biogen Idec, Credit Suisse research

Source: AbbVie, Biogen Idec, Credit Suisse research

Companies Mentioned *(Price as of 31-May-2013)*

AbbVie Inc. (ABBV.N, $42.69)
Actelion (ATLN.VX, SFr57.25)
Active Biotech (ACTI.ST, Skr50.75)
Bayer (BAYGn.DE, €82.89)
Biogen Idec (BIIB.OQ, $237.49)
Merck KGaA (MRCG.DE, €122.25)
Novartis (NOVN.VX, SFr69.0)
Ono Pharmaceutical (4528.OS, ¥7,020)
Pfizer (PFE.N, $27.23)
Receptos (RCPT.OQ, $15.87, OUTPERFORM[V], TP $21.0)
Sanofi (SASY.PA, €82.51)
Teva Pharmaceutical Ind. (TEVA.N, $38.2)

Disclosure Appendix

Important Global Disclosures

Ravi Mehrotra PhD, Lee Kalowski and Jason Kantor, PhD each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; Australia, New Zealand are, and prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.*

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Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

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Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

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Neutral/Hold*	39%	(48% banking clients)
Underperform/Sell*	15%	(38% banking clients)
Restricted	3%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

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Price Target: (12 months) for Receptos (RCPT.OQ)

Method: Our DCF-derived TP of $21 is based on annual cash flows through 2029, 10% discount rate, and no terminal value. The cash flows are based on royalties on worldwide sales of RPC1063 in relapsing multiple sclerosis only and add-back of all R&D expenses not associated with RPC1063 for relapsing multiple sclerosis.

Risk: The risks to our TP of $21 are: (1) RPC1063 not approved or significantly delayed in relapsing multiple sclerosis; (2) RPC1063 does not demonstrate efficacy and safety expected from studies to date; (3) RPC1063 could underperform our expectations for the product launch ramp or peak sales; (4) Competition is more acute than we model; (5) The relapsing multiple sclerosis market may not become as large as expected.

Please refer to the firm's disclosure website at www.credit-suisse.com/researchdisclosures for the definitions of abbreviations typically used in the target price method and risk sections.

See the Companies Mentioned section for full company names

The subject company (RCPT.OQ) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

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Credit Suisse has managed or co-managed a public offering of securities for the subject company (RCPT.OQ) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (RCPT.OQ) within the past 12 months

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