

Enanta Pharmaceuticals, Inc. (ENTA)

Another Positive Readout for AbbVie/Enanta

MARKET DATA

| | |
|---------------------------|-------------------|
| Price | \$33.58 |
| 52-Week Range: | \$14.31 - \$28.70 |
| Shares Out. (M): | 17.8 |
| Market Cap (\$M): | \$597.7 |
| Average Daily Vol. (000): | 221.0 |
| Cash (M): | \$112 |
| LT Debt (M): | \$0 |

Source: Thomson Reuters and JMP Securities LLC

MARKET OUTPERFORM | Price: \$33.58 | Target Price: UR

INVESTMENT HIGHLIGHTS

Another positive readout from AbbVie/Enanta Pharmaceuticals; reiterate Market Outperform rating with our price target under review. Once again, AbbVie/Enanta have set a high bar in HCV with a 96% cure rate in treatment experienced patients - a previously hard to treat group (Figure 1). These results set an extremely high bar for Gilead, which has not yet released Phase 3 data for its all oral regimen for genotype 1, though we point out that HCV experts suggest they are willing to accept a slightly lower cure rate for the latter in favor of a simpler regimen. We estimate that Enanta will receive \$40M for regulatory filings in 2Q14 and most of \$155M in 2015 when the combination is approved, plus a single-digit royalty. Enanta shares have traded up in response to these data, and we would continue to be buyers at these levels ahead of data in cirrhotics which could further differentiate this regimen, carving out an important niche deemed to be the most cost-effective group to treat.

| FY SEP | 2012A | 2013A | 2014E |
|------------------|---------------|-----------------|---------------|
| Revenue (\$M) 1Q | -- | \$27.9 | \$1.4 |
| 2Q | -- | \$1.2 | \$1.4 |
| 3Q | -- | \$1.6 | \$41.4 |
| 4Q | -- | \$1.3 | \$1.4 |
| FY | \$41.7 | \$32.1 | \$45.6 |
| EPS 1Q | -- | \$1.53 | (\$0.27) |
| 2Q | -- | (\$2.28) | (\$0.28) |
| 3Q | -- | (\$0.23) | \$1.71 |
| 4Q | -- | (\$0.25) | (\$0.31) |
| FY | \$1.13 | (\$0.67) | \$0.95 |
| CY | \$2.38 | (\$3.02) | -- |

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE



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FOR DISCLOSURE AND FOOTNOTE INFORMATION, REFER TO JMP FACTS AND DISCLOSURES SECTION.

Figure 1. Phase 3 Trial Data

| | SAPPHIRE I treatment naïve | SAPPHIRE II treatment experienced |
|------------------------------|----------------------------------|---|
| SVR ₁₂ (ITT) | 96% | 96% |
| SVR ₁₂ (ITT) GT1a | 95% | 96% |
| SVR ₁₂ (ITT) GT1b | 98% | 97% |
| Relapses/breakthroughs | 2% | 2% |
| Discontinuations due to AEs | 1% | 1% |

Source: Company reports and JMP Securities LLC

Company Description

Enanta is a Watertown, Massachusetts-based biotechnology company focused on anti-infectives. The company has partnered a protease inhibitor program with AbbVie Pharmaceuticals and an NS5a program with Novartis, as well as developing fully owned assets. The lead protease inhibitor, ABT-450, partnered with AbbVie, is in Phase 3 development.

Investment Risks

Clinical risk. Drug development is a risky and capital-intensive endeavor. The vast majority of drugs that enter clinical development fail to reach the market. Enanta's Phase 3 program with AbbVie may experience development setbacks; we point specifically to safety as a source of risk. In addition, Enanta has many early stage assets that may or may not make it to development in humans.

Regulatory risk. Enanta is reliant on its pharmaceutical partners, AbbVie and Novartis, to move its drug candidates through registration with the FDA and EMA and it is dependent on the pace of these regulatory entities to approve new drugs. Enanta's early stage HCV assets are from classes that have been placed on clinical hold, leading to increased scrutiny.

Intellectual Property risk. Enanta's lead clinical assets are covered by approved patents; however, other assets have patents pending. Patent expirations can result in a negative impact to sales. Additionally, generic companies may file abbreviated new drug applications to challenge current products with patent protection.

Commercial risk. Enanta is reliant upon their pharmaceutical partners, AbbVie and Novartis, to successfully commercialize assets. The HCV space is very competitive and Enanta's assets may lose share as new competitors come to market.

Sector risk. Valuation of biopharmaceutical stocks is subject to both investor assessments of the prospects of the underlying companies, as well as investor tolerance for risk and confidence in the prospects of pharmaceutical stocks as a group. Therefore, Enanta's stock price may fall, even while the company meets or exceeds investor expectations.

JMP FACTS AND DISCLOSURES

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JMP Securities was manager or co-manager of a public offering, and received compensation for doing so, for Enanta Pharmaceuticals, Inc. in the past 12 months.

JMP Securities Investment Opinion Definitions:

Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

Market Perform (MP): JMP Securities expects the stock price to perform in line with relevant market indices over the next 12 months.

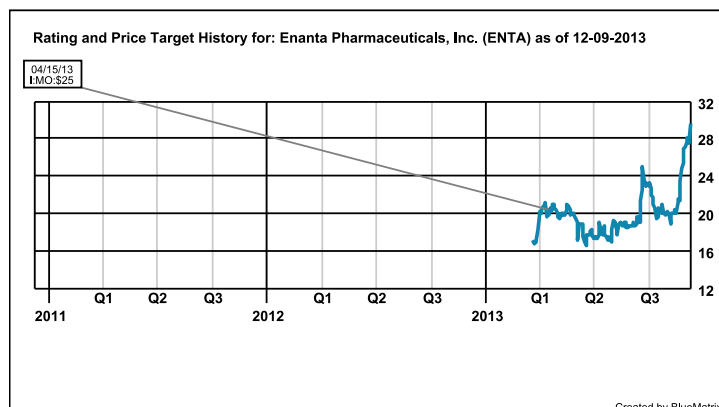
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| JMP Rating | Regulatory Equivalent | # Co's Under Coverage | % of Total | Regulatory Equivalent | # Co's Under Coverage | % of Total | # Co's Receiving IB Services in Past 12 Months | % of Co's With This Rating |
|------------------------|-----------------------|-----------------------|------------|-----------------------|-----------------------|------------|--|----------------------------|
| MARKET OUTPERFORM | Buy | 228 | 54.68% | Buy | 228 | 54.68% | 89 | 39.04% |
| MARKET PERFORM | Hold | 139 | 33.33% | Hold | 139 | 33.33% | 25 | 17.99% |
| MARKET UNDERPERFORM | Sell | 5 | 1.20% | Sell | 5 | 1.20% | 0 | 0% |
| COVERAGE IN TRANSITION | | 45 | 10.79% | | 45 | 10.79% | 0 | 0% |
| TOTAL: | | 417 | 100% | | 417 | 100% | 114 | 27.34% |

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with NASD Rule 2711, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: JMP Securities.



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