Enanta Pharmaceuticals

Key Takeaways from Our CEO Call - ALERT

Overweight

ENTA, ENTA US
Price: $38.20

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Today, we kicked off our 2014 J.P. Morgan Biotech CEO/CFO Conference Call Series with Enanta's CEO Jay Luly. Not surprisingly, the focus of the call was largely on hepatitis C. Indeed, fling of the 3D regimen in GT1 hep C remains on track for early 2Q14 with approval expected by YE14. Given robust cure rates of >90%, we expect the 3D regimen to play a meaningful role in hep C with peak sales of $2B+ with only modest market share. This should drive significant P&L leverage for Enanta from royalties as well as milestones payments that begin in 2014. At current levels, we remain bullish on ENTA shares, especially given significant optionality from ABT-493 (2nd gen pangenotypic protease inhibitor). We are reiterating our Overweight rating on ENTA shares.. **For those that missed it, we will have a transcript available early next week, and a replay is available at 888-567-0440 (US); +1-203-369-3442 (Outside US); Passcode: 2814.**

- **ABT-450 3D regimen:** Recall, top line phase 3 data from six studies of the 3D regimen (ABT-450/r + ABT-267 + ABT-333 +/-RBV) has been reported. Cure rates across all the studies, which included GT1, naïve and experienced patients were all >90%. Enanta indicated filing remains on track for early 2Q14 with approval / launch by YE14.

- **Competitive profile of 3D regimen:** With cure rates for all oral regimens from Gilead and AbbVie/Enanta in the >90% range, Enanta indicated the margin for improvement is limited. Of note, Enanta highlighted comparable cure rates of 92-96% for the 3D regimen in difficult to treat cirrhotic patients that are in the most urgent need of treatment. Overall, we believe the 3D regimen is competitive from an efficacy and safety standpoint, but does have room for improvement in terms of dosing / regimen complexity.

- **Next Generation ABT-493 in early development:** A next generation protease inhibitor, ABT-493, is being developed with pangenotypic activity, once daily dosing, and not requiring ritonavir boosting. Phase 1 studies are complete and the next step is combination studies with ABT-530 (next generation NS5a). We believe this combination would be more competitive with Gilead's FDC. However, this regimen is in early development and is not expected to reach the market until 2017.

- **Thoughts on future development path in hep C.** Enanta noted that the FDA had been very supportive of hep C drugs in development. However, the bar has been raised significantly and requirements for approval are likely to evolve. Enanta noted there is a good chance non-inferiority trials will be needed in phase 3 for approval. As such, developing hep C drugs should become increasingly more difficult over time, which enhances scarcity value in the space, in our view.

- **Reiterate Overweight rating.**

** *AbbVie covered by J.P. Morgan analyst Chris Schott*

See page 2 for analyst certification and important disclosures.

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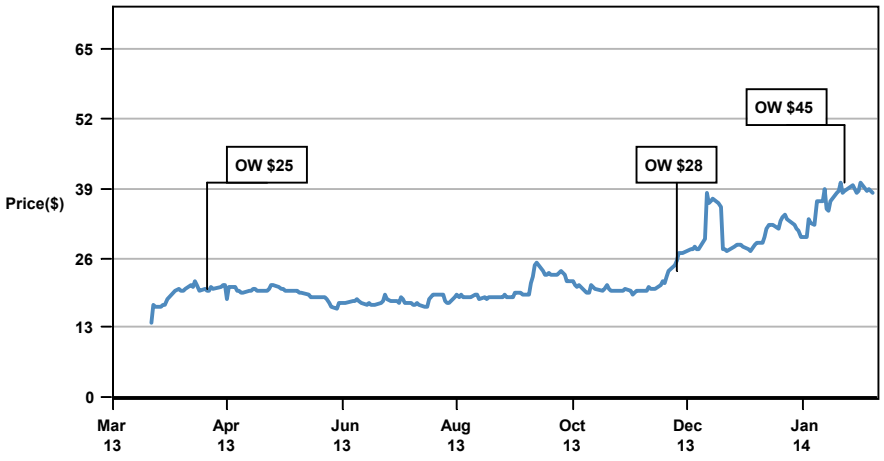
Enanta Pharmaceuticals (ENTA, ENTA US) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
15-Apr-13	OW	20.35	25.00
25-Nov-13	OW	23.40	28.00
13-Feb-14	OW	40.02	45.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Apr 15, 2013.

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