

Intrexon Corp.

Uneventful Quarter; Expecting Major Platform Deal by Year-End

Adjusted EBITDA for the third quarter was a loss of \$5.09mn: Using the pro-forma weighted average shares XON reported adjusted EBITDA loss per share of \$0.06. Total revenues in the quarter were \$6.1mn related to deferred upfront payments, milestone payments, and cost recovery from R&D services. R&D expenses for the quarter were \$10.8mn, compared to \$14.4mn during the same period last year, while G&A spending was increased to \$7.4mn from \$5.0mn in Q3 2012.

The company currently has 16 active collaborations: Over the past three years XON has successfully entered and expanded into a number of new agreements, which we believe will continue over time. Furthermore, XON has also entered into several joint ventures, one of which came in Q3 with an indirect subsidiary of Sun Pharmaceutical Industrials Ltd for the development of gene-based therapies across a number of eye diseases. While joint ventures do not provide the company with any significant upfront payment, the long-term potential could provide investors with meaningful upside in the future.

We continue to expect the company to sign a major platform ECC by year-end: Management remains confident that it is still on-track to sign a significant deal this quarter, which we estimate should result in an upfront payment in the range of \$50mn. In our view, investors should focus on the quality rather than the mere quantity of exclusive channel collaborations (ECC).

We are maintaining our Equal Weight Rating and \$25 price target: While we continue to believe that the company will gain additional ECCs over time, we await to see both the quality and the financial contributions these will bring in the near term for the company. We see XON as a unique platform with long-term potential and broad application in many different industries; however, we are cautiously optimistic in the near future.

XON: Quarterly and Annual EPS (USD)

	2012		2013		2014		Change y/y		
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2013	2014
Q1	-3.55A	-7.54A	-7.54A	N/A	N/A	N/A	N/A	-112%	N/A
Q2	-3.99A	-2.46A	-2.46A	-2.46A	N/A	N/A	N/A	38%	N/A
Q3	-4.66A	0.05E	0.15A	-0.01E	N/A	N/A	N/A	103%	N/A
Q4	N/A	0.27E	0.39E	0.10E	N/A	N/A	N/A	N/A	N/A
Year	-12.20A	-0.39E	-9.47E	-0.28E	0.25E	0.63E	0.49E	22%	107%
P/E	N/A		N/A			28.0			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 3.

Stock Rating	EQUAL WEIGHT
	Unchanged
Industry View	NEUTRAL
	Unchanged
Price Target	USD 25.00
	Unchanged

Price (07-Nov-2013)	USD 17.65
Potential Upside/Downside	+42%
Tickers	XON

Market Cap (USD mn)	1809
Shares Outstanding (mn)	96.99
Free Float (%)	37.25
52 Wk Avg Daily Volume (mn)	0.6
Dividend Yield (%)	N/A
Return on Equity TTM (%)	-38.72
Current BVPS (USD)	-66.32

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 31.44-17.52


[Link to Barclays Live for interactive charting](#)

U.S. Biotechnology

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U.S. Biotechnology

Industry View: NEUTRAL

Intrexon Corp. (XON)

Stock Rating: EQUAL WEIGHT

Income statement	2012A	2013E	2014E	2015E	CAGR
Revenue (\$k)	13,925	70,429	183,950	221,934	151.7%
EBITDA (adj) (\$mn)	N/A	20,038	98,036	114,436	N/A
EBIT (adj)	N/A	N/A	N/A	N/A	N/A
Pre-tax income (adj)	N/A	N/A	N/A	N/A	N/A
Net income (adj)	N/A	N/A	N/A	N/A	N/A
EPS (adj) (\$)	-12.20	-9.47	0.63	0.84	N/A
Diluted shares (k)	N/A	N/A	59,548.1	62,525.5	N/A
DPS	N/A	N/A	N/A	N/A	N/A

Margin and return data	Average				
EBITDA (adj) margin (%)	N/A	N/A	N/A	N/A	N/A
EBIT (adj) margin (%)	N/A	N/A	N/A	N/A	N/A
Pre-tax (adj) margin (%)	N/A	N/A	N/A	N/A	N/A
Net (adj) margin (%)	N/A	N/A	N/A	N/A	N/A
ROIC (%)	N/A	N/A	N/A	N/A	N/A
ROA (%)	N/A	N/A	N/A	N/A	N/A
ROE (%)	N/A	N/A	N/A	N/A	N/A

Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	N/A	N/A	N/A	N/A	N/A
Intangible fixed assets	N/A	N/A	N/A	N/A	N/A
Cash and equivalents	10,403	176,249	363,972	478,531	258.3%
Total assets	151,646	292,645	489,861	609,935	59.0%
Short and long-term debt	N/A	N/A	N/A	N/A	N/A
Other long-term liabilities	1,150	2,113	5,519	6,658	79.6%
Total liabilities	66,540	68,135	202,345	244,127	54.2%
Net debt/(funds)	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	85,106	224,511	287,516	365,808	62.6%
Change in working capital	9,663	-2,920	1,135	380	-66.0%
Cash flow from operations	-61,529	18,676	122,305	148,846	N/A
Capital expenditure (\$k)	-7,491	-23,296	-60,846	-73,409	N/A
Free cash flow	N/A	N/A	N/A	N/A	N/A

Valuation and leverage metrics	Average				
P/E (adj) (x)	N/A	N/A	28.0	20.9	24.4
EV/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A
Equity FCF yield (%)	N/A	N/A	N/A	N/A	N/A
EV/sales (x)	N/A	N/A	N/A	N/A	N/A
P/BV (x)	N/A	N/A	N/A	N/A	N/A
Dividend yield (%)	N/A	N/A	N/A	N/A	N/A
Total debt/capital (%)	N/A	N/A	N/A	N/A	N/A

Selected operating metrics	Average				
SG&A/sales (%)	N/A	N/A	N/A	N/A	N/A
R&D/sales (%)	N/A	N/A	N/A	N/A	N/A
R&D growth (%)	-8.8	-27.0	5.0	18.0	-3.2
SG&A growth (%)	36.0	16.3	10.0	10.0	18.1

Price (07-Nov-2013) USD 17.65
Price Target USD 25.00

Why Equal Weight? While Intrexon is nicely positioned as the first synthetic biology company with a platform business model, we believe large-scale application of synthetic biology across end-markets will take time. In our view, a more diverse ECC portfolio with major players would validate the technology and provide a more concrete path for the company.

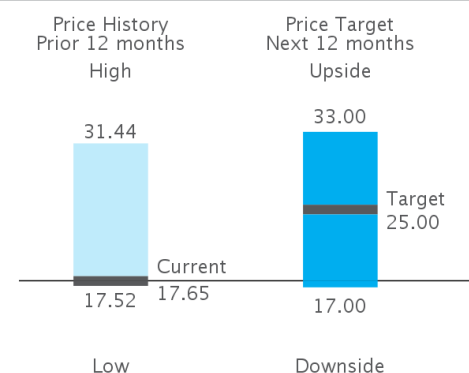
Upside case USD 33.00

In our upside case, we assume a higher rate of acceleration in signed ECCs in the outer years (200 total ECCs by 2018) as Intrexon gains critical mass. This leads us to \$33/share.

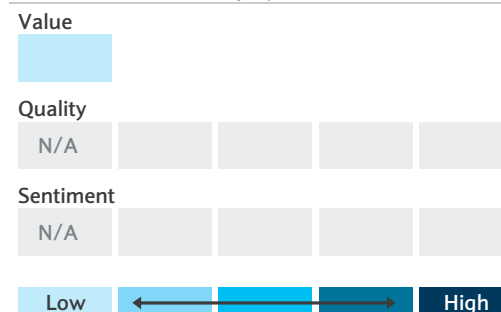
Downside case USD 17.00

In our downside case, we assume no product is commercialized from the signed ECC partnerships and therefore no back-end royalties are received, and arrive at a value of \$17/share.

Upside/Downside scenarios



POINT® Quantitative Equity Scores



Source: POINT. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, click here.

Source: Company data, Barclays Research
Note: FY End Dec

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Primary Stocks (Ticker, Date, Price)

Intrexon Corp. (XON, 07-Nov-2013, USD 17.65), Equal Weight/Neutral, A/C/D/J/L/O

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In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

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Idenix Pharmaceuticals (IDIX)	Incyte Corp. (INCY)	Intrexon Corp. (XON)
Medivation Inc. (MDVN)	Regeneron Pharmaceuticals (REGN)	Tetraphase (TTPH)
Vertex Pharmaceuticals (VRTX)		

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A high/low Quality score indicates financial statement strength/weakness. Measures of quality include ROIC and corporate default probability.

A high/low Sentiment score indicates bullish/bearish market sentiment. Measures of sentiment include price momentum and earnings revisions.

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Intrexon Corp. (XON)

USD 17.65 (07-Nov-2013)

Stock Rating

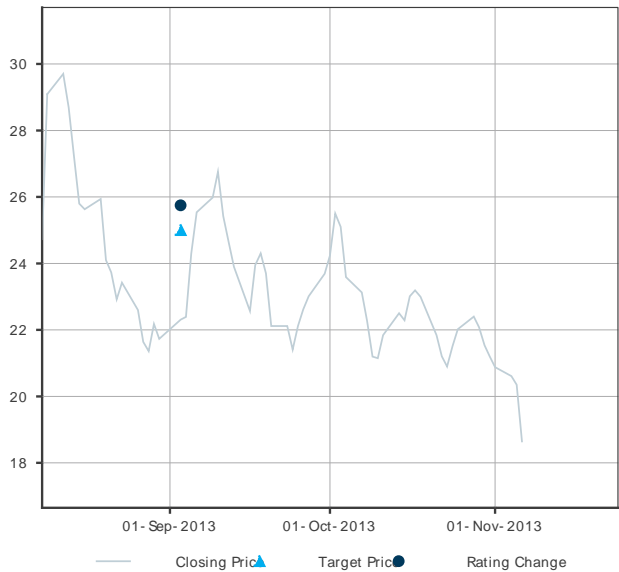
Industry View

EQUAL WEIGHT

NEUTRAL

Rating and Price Target Chart - USD (as of 07-Nov-2013)

Currency=USD



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Valuation Methodology: In our net present value (NPV) analysis of Intrexon's cash flows from ECCs during 2014-2018, we arrive at \$25/share assuming a discount rate of 10% and terminal growth rate of 3%.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks include: (1) Intrexon is a platform company built on ECCs and therefore may fail to maintain existing ECCs or enter into new ECCs, (2) development and commercialization risk: Intrexon relies on their ECCs to develop, commercialize and market products, which may not be successful, and (3) IP risk around their proprietary synthetic biology technologies (expire between 2017-2034). However, products emerging from an ECC are patentable and can likely provide longer runway for IP protection.

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