

Enanta Pharmaceuticals, Inc. (ENTA)

Enanta Earnings In Line as HCV Race Begins

MARKET DATA

Price	\$38.55
52-Week Range:	\$14.31 - \$39.76
Shares Out. (M):	17.9
Market Cap (\$M):	\$690.0
Average Daily Vol. (000):	324.0
Cash (M):	\$106
LT Debt (M):	\$0

Source: Thomson Reuters and JMP Securities LLC

MARKET OUTPERFORM | Price: \$38.55 | Target Price: UR

INVESTMENT HIGHLIGHTS

Enanta Pharmaceuticals earnings were in line as HCV race begins; reiterating our Market Outperform rating with our price target still under review. This morning, Enanta announced 1Q (fiscal year ending 9/31/2013) earnings of (\$0.30), which was in line with our expectations of (\$0.27), but below consensus of (\$0.15). The company ended the quarter with \$106M in cash, which we believe is sufficient to carry the company to profitability, given the royalty and milestone payments expected from AbbVie for the HCV protease inhibitor, ABT-450, and the minimal expense generated by Enanta's early-stage pipeline. Over the next year, we expect investor focus to be on ABT-450 commercialization, with the next key catalysts being NDA and MAA filings. Additional catalysts will include data from the MRSA program (EDP-788) and drug candidate selection for follow-on programs in HCV (Figure 1).

FY SEP	2012A	2013A	2014E
Revenue (\$M) 1Q	--	\$27.9	\$0.9A
2Q	--	\$1.2	\$1.6
3Q	--	\$1.6	\$41.6
4Q	--	\$1.3	\$1.6
FY	\$41.7	\$32.1	\$45.6
EPS 1Q	--	\$1.53	(\$0.30)A
2Q	--	(\$2.28)	(\$0.28)
3Q	--	(\$0.23)	\$1.72
4Q	--	(\$0.25)	(\$0.30)
FY	\$1.13	(\$0.67)	\$0.90
Previous FY	NC	NC	\$0.95
CY	\$2.38	(\$3.06)	--

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. Catalysts

Timing	Events	Program
2Q14	NDA and MAA Filing	ABT-450
1H14	Candidate selection	Cyclophilin (HCV)
2014	Candidate selection	Nuc (HCV)
end 2014	Approval	ABT-450

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.

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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.

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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.

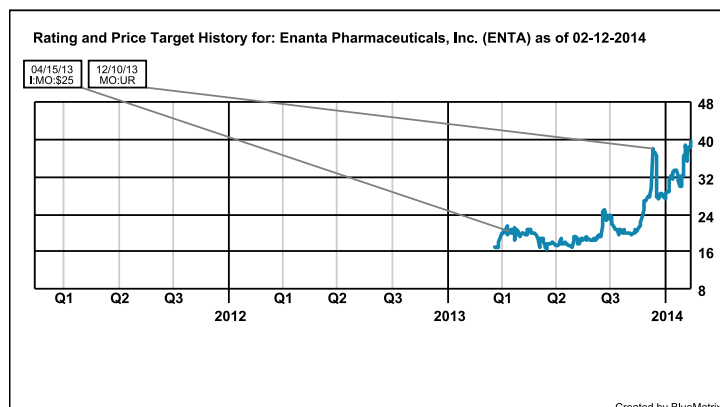
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

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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	242	56.41%	Buy	242	56.41%	88	36.36%
MARKET PERFORM	Hold	138	32.17%	Hold	138	32.17%	23	16.67%
MARKET UNDERPERFORM	Sell	7	1.63%	Sell	7	1.63%	0	0%
COVERAGE IN TRANSITION		42	9.79%		42	9.79%	0	0%
TOTAL:		429	100%		429	100%	111	25.87%

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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