

Intrexon

Bed Bugs Beware! Pest Control R&D Collaboration with Rentokil is a Step in the Right Direction - ALERT

This morning, Intrexon announced a joint research and development initiative with Rentokil Initial PLC (UW rated by JPM European Business Service analyst Robert Plant) for the development of a new generation of pest control solutions. This is the first collaboration announcement since the company's IPO in August, and also the first partnership within the Environment vertical. We expect a steady stream of further positive news flow over the coming months, as the company signs exclusive channel collaborations (ECCs) both within and outside Healthcare – a key driver of our investment thesis. For further details on Intrexon's unique and scalable business model and our Overweight thesis, please see our recent initiation [note](#).

- **Joint R&D collaboration with Rentokil announced.** Intrexon announced earlier today that it has agreed to a joint research and development initiative with Rentokil Initial PLC for the development of a new generation of highly-effective and sustainable pest control products and solutions. Rentokil is a publicly listed British business services firm that is the world's largest commercial pest control company operating in over 50 countries.
- **First partnership announcement post-IPO and within Environmental Science.** While terms of the collaboration were not disclosed, management noted to us that it was an all-cash transaction (i.e. no equity), while the press release mentioned that the companies will also consider exploring additional areas of commercial product research and development. We note that this is Intrexon's first publicly announced partnership since the IPO in August, and is of symbolic importance since it marks the first such collaboration within the Environmental Science vertical. A marquee partner such as Rentokil should open the door to further partnerships in adjacent markets, helping diversify the business model beyond Healthcare.
- **Reiterate Overweight.** As we noted in our recent initiation, while the majority of XON's current ECCs are within Healthcare, the UltraVector platform provides the company with a first-mover advantage in applying synthetic biology at an industrial scale to multiple other high-potential verticals such as food (aquaculture, GM crops), energy (isobutanol) and environmental science (biological versions of pesticides made by companies such as Rentokil). We expect a steady stream of positive news flow over the coming months, as the company signs further ECCs across diverse end-markets, re-affirming our positive view on their unique, sustainable and scalable business model. Reiterate Overweight rating.

Overweight

XON, XON US

Price: \$24.33 (intraday - 02:07 PM)

13 September 2013

Life Science Tools & Diagnostics

Tycho W. Peterson ^{AC}

(1-212) 622-6568

tycho.peterson@jpmorgan.com

Bloomberg JPMA PETERSON <GO>

Patrick Donnelly

(1-212) 622-9735

patrick.donnelly@jpmorgan.com

J.P. Morgan Securities LLC

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Other Companies Recommended in This Report (all prices in this report as of market close on 13 September 2013)

Rentokil Initial (RTO.L/110p/Underweight)

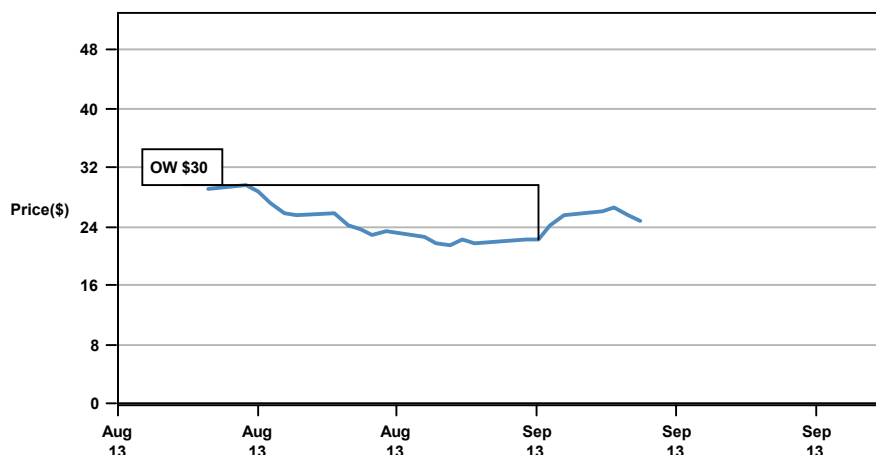
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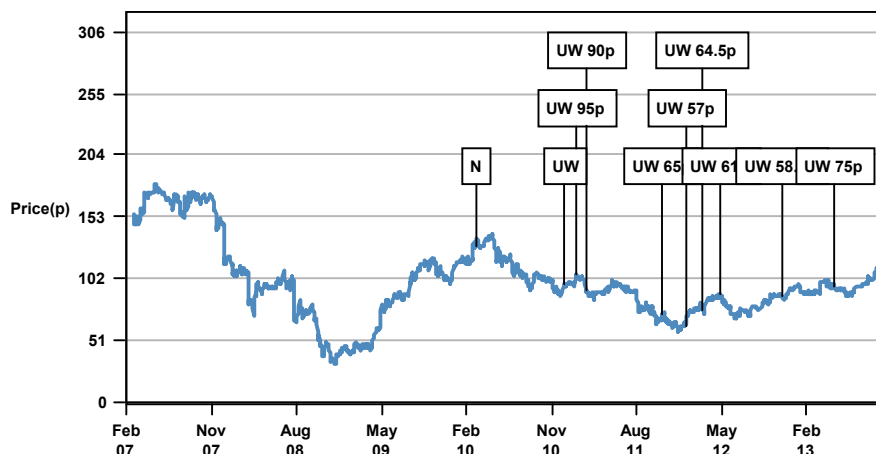
Intrexon (XON, XON US) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
03-Sep-13	OW	22.31	30.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Sep 03, 2013.

Rentokil Initial (RTO.L, RTO LN) Price Chart



Date	Rating	Share Price (p)	Price Target (p)
01-Mar-10	N	129	-
10-Dec-10	UW	97	-
19-Jan-11	UW	105	95
18-Feb-11	UW	92	90
24-Oct-11	UW	72	65
06-Jan-12	UW	64	57
02-Mar-12	UW	76	64
27-Apr-12	UW	89	61
09-Nov-12	UW	87	59
29-Apr-13	UW	96	75

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 01, 2010.

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*Percentage of investment banking clients in each rating category.

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