

Enanta Pharmaceuticals, Inc. (ENTA)

Post-HCV Pipeline Focuses on MRSA

MARKET DATA

Price	\$32.69
52-Week Range:	\$14.31 - \$38.48
Shares Out. (M):	17.9
Market Cap (\$M):	\$585.2
Average Daily Vol. (000):	176.0
Cash (M):	\$112
LT Debt (M):	\$0

Source: Thomson Reuters and JMP Securities LLC

MARKET OUTPERFORM | Price: \$32.69 | Target Price: UR

INVESTMENT HIGHLIGHTS

Post-HCV pipeline focuses on MRSA; reiterating Market Outperform rating on Enanta Pharmaceuticals with our price target under review. As expected, Enanta announced the initiation of a Phase 1 trial of antibiotic EDP-788, for MRSA (methicillin-resistant *Staphylococcus aureus*) infections. EDP-788 is a bicyclicolide, a new antibiotic class designed to avoid macrolide resistance. This trial is in healthy volunteers and will focus on safety and pharmacokinetic endpoints after a single dose of EDP-788. Due to the early stage of the program and the competitiveness of the MRSA market, we do not currently include EDP-788 in our model, but consider it a free option as development costs are being funded through the National Institute of Allergy and Infectious Diseases (NIAID). With our price target under review, we await additional information on other new programs from Enanta, which we expect in the coming months.

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



Liisa A. Bayko
lbayko@jmpsecurities.com
(312) 768-1785

Heather Behanna, PhD
hbehanna@jmpsecurities.com
(312) 768-1795

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

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 currently makes a market in the security of Enanta Pharmaceuticals, Inc.

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.

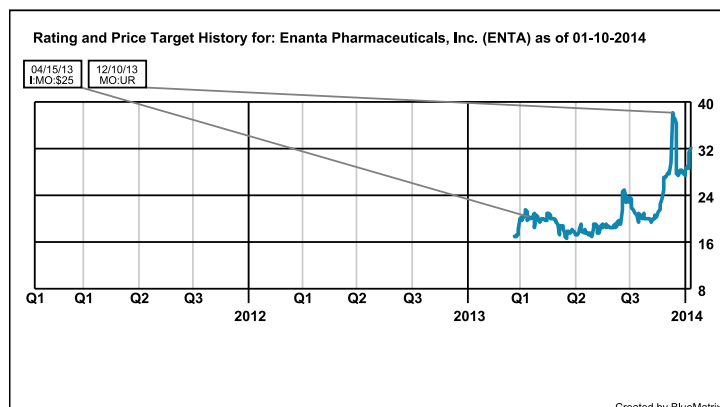
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

JMP Securities Research Ratings and Investment Banking Services: (as of January 10, 2014)

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	243	55.86%	Buy	243	55.86%	92	37.86%
MARKET PERFORM	Hold	143	32.87%	Hold	143	32.87%	26	18.18%
MARKET UNDERPERFORM	Sell	6	1.38%	Sell	6	1.38%	0	0%
COVERAGE IN TRANSITION		43	9.89%		43	9.89%	0	0%
TOTAL:		435	100%		435	100%	118	27.13%

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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Jeffrey H. Spurr
Director of Research
 (415) 835-3903

RESEARCH PROFESSIONALS

FINANCIAL SERVICES

Alternative Asset Managers

Devin Ryan	(212) 906-3578
Brian McKenna	(212) 906-3545

Commercial & Specialty Finance

Christopher York	(415) 835-8965
Hannah Kim, CFA	(415) 835-8962

Consumer Finance

David M. Scharf	(415) 835-8942
Jeremy Frazer	(312) 768-1796

Financial Processing & Outsourcing

David M. Scharf	(415) 835-8942
Jeremy Frazer	(312) 768-1796

Insurance

Matthew J. Carletti	(312) 768-1784
Christine Worley	(312) 768-1786

Investment Banks & Brokers

Devin Ryan	(212) 906-3578
Brian McKenna	(212) 906-3545

Mortgage Operating Companies

REITs: Agency, Hybrid, & Commercial Mortgage

Steven C. DeLaney	(404) 848-7773
Trevor Cranston, CFA	(415) 869-4431
Charter Robinson	(757) 613-8955
Benjamin Zucker	(212) 906-3529

HEALTHCARE

Biotechnology

Liisa A. Bayko	(312) 768-1785
Heather Behanna, PhD	(312) 768-1795
Andrew Prigodich	(312) 768-1788
Jason N. Butler, PhD	(212) 906-3505
Christopher T. Radom, PhD	(212) 906-3519
Caroline Palomeque	(212) 906-3509
Michael G. King, Jr.	(212) 906-3520
Eric Joseph, PhD	(212) 906-3514
Joseph A. Knowles	(212) 906-3525

Healthcare Services & Facilities

Peter L. Martin, CFA	(415) 835-8904
Aaron Hecht	(415) 835-3963
Arthur Kwok	(415) 835-8908

Life Science Tools & Diagnostics

J. T. Haresco, III, PhD	(415) 869-4477
Marie T. Casey, PhD	(415) 835-3955

Medical Devices

J. T. Haresco, III, PhD	(415) 869-4477
Marie T. Casey, PhD	(415) 835-3955

Medical Devices & Supplies

David Turkaly	(212) 906-3563
John Gillings	(212) 906-3564

REAL ESTATE

Housing & Land Development

Peter L. Martin, CFA	(415) 835-8904
Aaron Hecht	(415) 835-3963
Bharathwajan Iyengar	(415) 835-3902

Lodging

Robert A. LaFleur	(212) 906-3510
Whitney Stevenson	(212) 906-3538

Property Services

Mitch Germain	(212) 906-3546
Peter Lunenburg	(212) 906-3537

REITs: Healthcare, Residential, & Specialty

Peter L. Martin, CFA	(415) 835-8904
Aaron Hecht	(415) 835-3963
Arthur Kwok	(415) 835-8908

REITs: Office, Industrial, & Diversified

Mitch Germain	(212) 906-3546
Peter Lunenburg	(212) 906-3537

Residential Services

Peter L. Martin, CFA	(415) 835-8904
Aaron Hecht	(415) 835-3963
Bharathwajan Iyengar	(415) 835-3902

TECHNOLOGY

Communications Equipment & Internet Security

Erik Suppiger	(415) 835-3918
John Lucia	(415) 835-3920

Internet & Digital Media

Ronald V. Josey III	(212) 906-3528
Andrew Boone	(415) 835-3957

Software

Patrick Walravens	(415) 835-8943
Peter Lowry	(415) 869-4418
Caitlin Schields	(415) 835-8960
Greg McDowell	(415) 835-3934

Wireless & Cloud Computing Technologies

Alex Gauna	(415) 835-8998
Michael Wu	(415) 835-8996

ADDITIONAL CONTACTS

Thomas R. Wright
Director of Equities
 (212) 906-3599

Dan Wychulis
Director of Institutional Sales
 (617) 235-8530

600 Montgomery Street, Suite 1100
 San Francisco, CA 94111
www.jmpsecurities.com