

Global Biotech & Pharma: The HCV Revolution - Edition 3

INCREASE TARGET PRICE

Research Analysts

Ravi Mehrotra PhD

212 325 3487
ravi.mehrotra@credit-suisse.com

Koon Ching PhD

212 325 6286
koon.ching@credit-suisse.com

Vamil Divan, MD

212 538 5394
vamil.divan@credit-suisse.com

Bruce Nudell PhD

212 325 9122
bruce.nudell@credit-suisse.com

European Pharma Team

44 207 888 0304
creditsuisse.pharmateam@credit-suisse.com

Ronak H. Shah, Pharm.D., CFA

212 325 9799
ronak.shah@credit-suisse.com

Lee Kalowski

212 325 9683
lee.kalowski@credit-suisse.com

Jason Kantor, PhD

415 249 7942
jason.kantor@credit-suisse.com

Ari Jahja

212 325 0767
ariyanto.jahja@credit-suisse.com

Jeremiah Shepard, PhD

415 249 7933
jeremiah.shepard@credit-suisse.com

Anuj Shah

212 325 6931
anuj.shah@credit-suisse.com

Jeremy Joseph

212 325 3870
jeremy.joseph@credit-suisse.com

Matthew Keeler

212 325 9008
matthew.keeler@credit-suisse.com

Jacob Lundberg

212 325 6785
jacob.lundberg@credit-suisse.com

Playing the ABBV derivative via ENTA

In our view, ENTA is an often overlooked way to play the HCV Revolution and/or ABBV's positioning within it – Increasing ENTA's TP to \$36 (from \$29). This is the third note in our "The HCV Revolution" series. In our previous notes, we had addressed immediate-term pricing of next-generation combinations (specifically Sofosbuvir) ([LINK](#)) and highlighted the potential number of competing all-oral, IFN-free regimens ([LINK](#)). In this note, we highlight that ENTA is an interesting derivative play for investors focused on ABBV and/or HCV. Our FY'14, FY'15, and FY'16 EPS estimates are \$1.18, \$3.78, and \$1.94 respectively due to housekeeping model changes.

- **ENTA is the originator of ABT-450, the cornerstone of ABBV's all-oral, IFN-free regimen.** ENTA signed a research collaboration with ABT/ABBV to develop HCV protease inhibitors with ABT/ABBV in Dec 2006. Under this agreement, ENTA received an upfront payment of \$57M and is eligible for \$250M+ pre-commercial milestones (\$195M+ remaining) as well as double-digit royalties on sales for the ABT-450 proportion of the regimen. ABBV funds all development, manufacturing, and commercialization costs.
- **ENTA's current market cap is \$500M and could have ~\$700M in cash by 2020.** ENTA had ~\$102M in cash as of Sep 30, 2013 and could receive CSe of \$172M (\$195M+ potential) by 2015 resulting from FDA/EMA filings (CSe of \$34M) in Q2'14 and approvals (CSe of \$138M) in early 2015 associated with the ABT-450/r combination. This translates to ~\$300M in cash already. In addition, ENTA is set to collect an effective royalty rate of at least 4% (assuming 3 DAAs) on sales of all-oral, IFN regimens, which translates into ~\$100M per year in royalties. We estimate that ENTA could collect ~\$455M in total royalties by 2020.
- **Potential upside from next-gen protease inhibitor, ABT-493, as well as NVS-partnered NS5A EDP-239.** ABBV/ENTA are planning to combine ABT-493 with ABBV's next-generation NS5A inhibitor, ABT-530. This combination has the potential to be a once-daily (without ritonavir) single-tablet regimen. Dosing of ABT-493 is expected to start by year end. If this combination shows competitive SVR in PII trials, ENTA's royalty economics will improve significantly as the number of DAAs decreases from 3 to 2. In addition, ENTA holds the option in the US to fund 40% of development and commercialization costs associated with ABT-493 in exchange for 40% of related profits. This combination could reach the market in ~2017.
- **Biggest ENTA pushback is "agency cost".** The biggest investor pushback on ENTA is capital allocation of the HCV-related cash inflows. ENTA has modest pipeline ([Exhibit 1](#)) R&D spend of CSe \$16M in 2013 (spent on pre-clinical antibiotics and HCV programs). Potential future R&D spend includes ABT-493. Even with this R&D spend, ENTA is profitable from 2015 on CS estimates
- **Valuation.** Our DCF-derived TP of \$36 is based on royalties from HCV regimen sales until 2025, 10% discount rate, and no terminal value.

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, AND THE STATUS OF NON-US ANALYSTS. US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Company	Price	Price	Rating*		Target Price		Year	EPS	EPS FY1E		EPS FY2E		EPS FY3E	
	ccy	09 Dec 13	Prev.	Cur.	Prev.	Cur.	End	Ccy	Prev.	Cur.	Prev.	Cur.	Prev.	Cur.
Enanta Pharmaceuticals (ENTA)	US\$	29.66	—	O	29.00	36.00	Sep 13	US\$	(0.47)	1.18	4.02	3.78	1.93	1.94

*O – Outperform, N – Neutral, U – Underperform, R – Restricted
Source: Company data, Credit Suisse estimates.

[V] = Stock considered volatile (see Disclosure Appendix).

Enanta Pharmaceuticals ENTA

Price (09 Dec 13): **US\$29.66**, Rating: **OUTPERFORM [V]**, Target Price: **US\$(from 29.00) 36.00**

Income statement (US\$ m)	09/13A	09/14E	09/15E	09/16E
Revenue (US\$ m)	32,053.0	53,000.0	153,822.1	85,717.8
EBITDA	9,252	21,652	127,501	67,288
Depr. & amort.	(223)	(330)	(422)	(505)
EBIT (US\$)	9,029	21,323	127,079	66,783
Net interest exp.	148	100	234	332
Associates	—	—	—	—
Other adj.	(16)	(20)	(10)	(10)
PBT (US\$)	9,161	21,403	127,303	67,105
Income taxes	—	—	(31,159)	(16,776)
Profit after tax	9,161	21,403	96,144	50,329
Minorities	—	—	—	—
Preferred dividends	—	—	—	—
Associates & other	(21,333)	—	—	—
Net profit (US\$)	(12,172)	21,403	96,144	50,329
Other NPAT adjustments	—	—	—	—
Reported net income	(12,172)	21,403	96,144	50,329
Cash flow (US\$)	09/13A	09/14E	09/15E	09/16E
EBIT	9,029	21,323	127,079	66,783
Net interest	148	100	234	332
Cash taxes paid	—	—	—	—
Change in working capital	(1,035)	(298)	(18,361)	15,138
Other cash & non-cash items	(21,126)	310	(30,747)	(16,282)
Cash flow from operations	(12,984)	21,434	78,205	65,971
CAPEX	(504)	(756)	(794)	(833)
Free cash flow to the firm	(13,488)	20,678	77,411	65,138
Acquisitions	—	—	—	—
Divestments	—	—	—	—
Other investment/(outflows)	20,000	—	436	—
Cash flow from investments	19,496	(756)	(358)	(833)
Net share issue/(repurchase)	—	—	—	—
Dividends paid	—	—	—	—
Issuance (retirement) of debt	—	—	—	—
Other	60,140	138	137	136
Cash flow from financing	60,140	138	137	136
Effect of exchange rates	—	—	—	—
Changes in Net Cash/Debt	66,652	20,817	77,984	65,273
Net debt at start	(10,511)	(77,163)	(97,979)	(175,964)
Change in net debt	(66,652)	(20,817)	(77,984)	(65,273)
Net debt at end	(77,163)	(97,979)	(175,964)	(241,237)
Balance sheet (US\$ m)	09/13A	09/14E	09/15E	09/16E
Assets				
Cash and cash equivalents	77,163	97,979	175,964	241,237
Accounts receivable	2,321	3,572	17,258	8,760
Inventory	—	—	—	—
Other current assets	13,732	14,046	15,558	14,537
Total current assets	93,215	115,598	208,779	264,533
Total fixed assets	892	1,318	1,690	2,019
Intangible assets and goodwill	—	—	—	—
Investment securities	20,000	20,000	20,000	20,000
Other assets	2,039	3,086	7,691	4,286
Total assets	116,146	140,002	238,160	290,838
Liabilities				
Accounts payable	2,106	2,898	1,959	1,312
Short-term debt	—	—	—	—
Other short term liabilities	237	319	255	177
Total current liabilities	2,342	3,217	2,214	1,489
Long-term debt	—	—	—	—
Other liabilities	2,479	2,479	2,479	2,479
Total liabilities	4,821	5,696	4,693	3,968
Shareholders' equity	111,324	134,306	233,467	286,870
Minority interest	—	—	—	—
Total equity & liabilities	116,146	140,002	238,160	290,838
Net debt (US\$ m)	(77,163)	(97,979)	(175,964)	(241,237)
Per share data	09/13A	09/14E	09/15E	09/16E
No. of shares (wtd avg)	9,769	18,129	25,456	25,884
CS adj. EPS (US\$)	(1.25)	1.18	3.78	1.94
Prev. EPS (US\$)	—	(0.47)	4.02	1.93
Dividend (US\$)	—	—	—	—
Dividend payout ratio	—	—	—	—
Free cash flow per share	(1.38)	1.14	3.04	2.52
Key ratios and valuation	09/13A	09/14E	09/15E	09/16E
Growth(%)				
Sales	(23.1)	65.4	190.2	(44.3)
EBIT	(57.6)	136.2	496.0	(47.4)
Net profit	(989.1)	(275.8)	349.2	(47.7)
EPS	(325.3)	194.7	219.9	(48.5)
Margins (%)				
EBITDA margin	28.9	40.9	82.9	78.5
EBIT margin	28.2	40.2	82.6	77.9
Pretax margin	28.6	40.4	82.8	78.3
Net margin	(38.0)	40.4	62.5	58.7
Valuation metrics (x)				
EV/sales	(2.4)	(1.8)	(1.1)	(2.8)
EV/EBITDA	(8.3)	(4.5)	(1.4)	(3.6)
EV/EBIT	(8.5)	(4.6)	(1.4)	(3.6)
P/E	(23.8)	25.1	7.9	15.3
P/B	1.3	2.4	2.5	2.5
Asset turnover	0.28	0.38	0.65	0.29
ROE analysis (%)				
ROE stated-return on	(6.4)	9.7	43.0	22.2
ROIC	26.4	58.7	166.9	109.8
Interest burden	1.0	1.0	1.0	1.0
Tax rate	—	—	24.5	25.0
Financial leverage	—	—	—	—
Credit ratios (%)				
Net debt/equity	(69.3)	(73.0)	(75.4)	(84.1)
Net debt/EBITDA	(8.3)	(4.5)	(1.4)	(3.6)
Interest coverage ratio	(61.0)	(213.2)	(543.5)	(201.3)
Quarterly data	09/13A	09/14E	09/15E	09/16E
EPS for Q1	1.45	(0.34)	—	—
EPS for Q2	(1.71)	2.34	—	—
EPS for Q3	(0.23)	(0.39)	—	—
EPS for Q4	(0.27)	(0.41)	—	—

Source: Company data, Credit Suisse estimates.

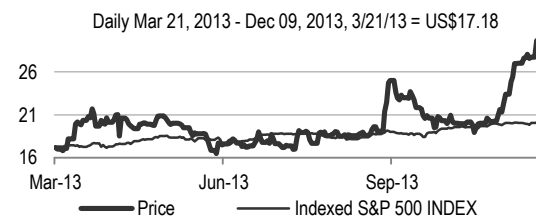


Exhibit 1: ENTA Pipeline

Compound	Indication	Stage	Comments
ABT-450	HCV	PIII	ABT-450 is a protease inhibitor partnered with ABBV. It is the cornerstone of ABBV's/ENTA's all-oral, interferon-free regimen, which is expected to reach the market in early 2015.
ABT-493	HCV	PII	ABT-493 is a second-generation protease inhibitor partnered with ABBV. ABBV/ENTA is examining a combination of ABT-493 and ABT-530. Unlike ABT-450, ABT-493 is pan-genotypic and is given once-daily without the need for
EDP-239	HCV	PII	EDP-239 is an NS5A inhibitor partnered with Novartis. A PI trial has already been completed. Novartis/ENTA plan to provide an update on potential PII trials examining combinations involving EDP-239 in 2014.
EDP-788	MRSA	PI	EDP-788 is a bicycliclode antibiotic. ENTA plans to move into a PI trial in H1'14.
EDP-546	HCV	PC	ENTA plans to select a preclinical candidate in 2014.
NS5B "Nuc" Inhibitor	HCV	PC	ENTA plans to select a preclinical candidate in 2014.

* Dates refer to calendar year, not fiscal year.

Source: Enanta, Credit Suisse research

Exhibit 2: ENTA Quarterly Income Statement 2013-2014

ENTA Quarterly Income Statement (Year Ended September 30) (Dollars in '000s, except share and per share amounts)	Q1'13A	Q2'13A	Q3'13A	Q4'13A	2013A	Q1'14E	Q2'14E	Q3'14E	Q4'14E	2014E
ABT-450 Royalty	0	0	0	0	0	0	0	0	0	0
Milestones	26,000	0	0	0	26,000	0	49,000	0	0	49,000
Other Revenues	1,859	1,196	1,649	1,349	6,053	1,000	1,000	1,000	1,000	4,000
Total Revenues	27,859	1,196	1,649	1,349	32,053	1,000	50,000	1,000	1,000	53,000
COGS	0	0	0	0	0	0	0	0	0	0
Gross Profit	27,859	1,196	1,649	1,349	32,053	1,000	50,000	1,000	1,000	53,000
R&D	4,798	3,704	4,039	4,300	16,841	5,349	5,898	6,307	6,623	24,177
SG&A	1,152	1,493	1,788	1,750	6,183	1,820	1,873	1,864	1,943	7,501
Total Operating Expenses	5,950	5,197	5,827	6,050	23,024	7,170	7,771	8,172	8,565	31,677
Operating Income/(Loss)	21,909	(4,001)	(4,178)	(4,701)	9,029	(6,170)	42,229	(7,172)	(7,565)	21,323
Total Other Income/(Expense)	48	252	40	258	132	20	20	20	20	80
Pre-Tax Profit/(Loss)	21,957	(3,749)	(4,138)	(4,443)	9,161	(6,150)	42,249	(7,152)	(7,545)	21,403
Provision/(Benefit) for Income Taxes	0	0	0	0	0	0	0	0	0	0
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income/(Loss)	21,957	(3,749)	(4,138)	(4,443)	9,161	(6,150)	42,249	(7,152)	(7,545)	21,403
Net Income to Common Stockholders	1,868	(4,993)	(4,138)	(4,443)	(12,172)	(6,150)	42,249	(7,152)	(7,545)	21,403
GAAP Basic EPS	\$1.61	(\$2.28)	(\$0.23)	(\$0.25)	(\$1.25)	(\$0.34)	\$2.34	(\$0.39)	(\$0.41)	\$1.18
GAAP Diluted EPS	\$1.45	(\$2.28)	(\$0.23)	(\$0.25)	(\$1.25)	\$1.45	\$2.34	(\$0.39)	(\$0.41)	\$1.18
Basic Shares Outstanding	1,158	2,192	17,820	17,904	9,769	17,994	18,083	18,174	18,265	18,129
Diluted Shares Outstanding	2,637	2,192	17,820	17,904	9,769	17,994	18,083	18,174	18,265	18,129

Source: Enanta, Credit Suisse estimates

Exhibit 3: ENTA Annual Income Statement 2012-2020

ENTA Annual Income Statement (Year Ended September 30) (Dollars in '000s, except share and per share amounts)	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E
ABT-450 Royalty	0	0	0	15,822	62,718	120,117	162,518	146,375	133,495
Milestones	41,706	26,000	49,000	138,000	23,000	0	0	0	0
Other Revenues	0	6,053	4,000	0	0	0	0	0	0
Total Revenues	41,706	32,053	53,000	153,822	85,718	120,117	162,518	146,375	133,495
COGS	0	0	0	0	0	0	0	0	0
Gross Profit	41,706	32,053	53,000	153,822	85,718	120,117	162,518	146,375	133,495
R&D	15,115	16,841	24,177	17,766	9,557	9,748	9,943	10,142	10,345
SG&A	5,302	6,183	7,501	8,977	9,377	9,642	9,835	10,032	10,232
Total Operating Expenses	20,417	23,024	31,677	26,743	18,935	19,391	19,778	20,174	20,578
Operating Income/(Loss)	21,289	9,029	21,323	127,079	66,783	100,727	142,740	126,201	112,917
Total Other Income/(Expense)	110	132	80	224	322	428	583	735	871
Pre-Tax Profit/(Loss)	21,399	9,161	21,403	127,303	67,105	101,155	143,323	126,936	113,788
Provision/(Benefit) for Income Taxes	0	0	0	31,159	16,776	25,289	35,831	31,734	28,447
Effective Tax Rate	0.0%	0.0%	0.0%	24.5%	25.0%	25.0%	25.0%	25.0%	25.0%
Net Income/(Loss)	21,399	9,161	21,403	96,144	50,329	75,866	107,492	95,202	85,341
Net Income to Common Stockholders	1,369	(12,172)	21,403	96,144	50,329	75,866	107,492	95,202	85,341
GAAP Basic EPS	\$1.26	(\$1.25)	\$1.18	\$5.08	\$2.59	\$3.81	\$5.28	\$4.57	\$4.00
GAAP Diluted EPS	\$1.13	(\$1.25)	\$1.18	\$3.78	\$1.94	\$2.88	\$4.02	\$3.50	\$3.09
Basic Shares Outstanding	1,089	9,769	18,129	18,932	19,417	19,898	20,375	20,849	21,320
Diluted Shares Outstanding	2,475	9,769	18,129	25,456	25,884	26,312	26,740	27,167	27,594

Source: Enanta, Credit Suisse estimates

Exhibit 4: ENTA Balance Sheet 2012-2020

ENTA Balance Sheet (In '000s) (Year Ended September 30)	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
ASSETS									
Current Assets									
Cash & Cash Equivalents	10,511	77,163	97,979	175,964	241,237	312,243	415,595	516,523	607,118
Short-Term Marketable Securities	33,251	13,251	13,251	13,251	13,251	13,251	13,251	13,251	13,251
Accounts Receivable	1,049	878	1,452	12,643	7,045	9,873	13,358	12,031	10,972
Unbilled Receivables	1,893	1,442	2,120	4,615	1,714	2,402	3,250	2,928	2,670
Restricted Cash	0	0	0	0	0	0	0	0	0
Prepaid Expenses & Other Current Assets	604	481	795	2,307	1,286	1,802	2,438	2,196	2,002
Total Current Assets	47,308	93,215	115,598	208,779	264,533	339,571	447,891	546,928	636,014
Property & Equipment, Net	611	892	1,318	1,690	2,019	2,315	2,587	2,842	3,084
Long-Term Marketable Securities	1,656	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Restricted Cash	436	436	436	0	0	0	0	0	0
Other Assets	2,151	1,603	2,650	7,691	4,286	6,006	8,126	7,319	6,675
Total Assets	52,162	116,146	140,002	238,160	290,838	367,891	478,605	577,088	665,772
LIABILITIES									
Current Liabilities									
Accounts Payable	1,851	2,106	2,898	1,959	1,312	1,345	1,372	1,399	1,427
Accrued Expenses	3,866	220	302	238	160	164	167	170	174
Deferred Revenue	17	17	17	17	17	17	17	17	17
Total Current Liabilities	5,734	2,342	3,217	2,214	1,489	1,526	1,556	1,586	1,618
Warrant Liability	1,981	1,981	1,981	1,981	1,981	0	0	0	0
Other Long-Term Liabilities	498	498	498	498	498	498	498	498	498
Total Liabilities	8,213	4,821	5,696	4,693	3,968	2,024	2,054	2,084	2,116
SHAREHOLDER'S EQUITY									
Common Stock	560	179	184	189	194	199	204	208	213
Additional Paid in Capital	158,800	220,384	221,958	224,970	228,040	231,167	234,353	237,599	240,906
Treasury Stock	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)
Accumulated Other Comprehensive Loss	10	10	10	10	10	10	10	10	10
Accumulated Surplus/(Deficit)	(115,412)	(109,240)	(87,837)	8,306	58,635	134,501	241,993	337,195	422,536
Total Shareholders' Equity	43,949	111,324	134,306	233,467	286,870	365,868	476,551	575,003	663,657
Total Liabilities and Shareholders' Equity	52,162	116,146	140,002	238,160	290,838	367,891	478,605	577,088	665,772

Source: Enanta, Credit Suisse estimates

Exhibit 5: ENTA Cash Flow Statement 2012-2020

ENTA Cash Flow Statement (In '000s) (Year Ended September 30)	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net Income/(Loss)	21,399	(12,172)	21,403	96,144	50,329	75,866	107,492	95,202	85,341
Adjustments:									
Depreciation & Amortization Expense	172	223	330	422	505	579	647	710	771
Non-Cash Interest Expense	0	0	0	0	0	0	0	0	0
Change in Fair Value of Warrant Liability	8	0	0	0	0	0	0	0	0
Gain on Embedded Derivative	0	0	0	0	0	0	0	0	0
Stock-Based Compensation Expense	424	1,064	1,440	2,881	2,938	2,997	3,057	3,118	3,181
(Gain)/Loss on Disposal of Property & Equipment	(63)	0	0	0	0	0	0	0	0
Amortization of Premium on Marketable Securities	590	0	0	0	0	0	0	0	0
Change in Operating Assets and Liabilities:									
Accounts Receivable	(788)	171	(574)	(11,191)	5,598	(2,827)	(3,485)	1,327	1,059
Unbilled Receivables	(1,893)	451	(678)	(2,495)	2,900	(688)	(848)	323	258
Prepaid Expenses & Other Current Assets	(235)	123	(314)	(1,512)	1,022	(516)	(636)	242	193
Accounts Payable	763	255	792	(939)	(647)	33	27	27	28
Accrued Expenses	1,726	(3,646)	83	(64)	(79)	4	3	3	3
Other Long-Term Liabilities	498	0	0	0	0	0	0	0	0
Deferred Revenue	17	0	0	0	0	0	0	0	0
Other Assets	5	548	(1,047)	(5,041)	3,405	(1,720)	(2,120)	807	644
Cash from Operating Activities	22,623	(12,984)	21,434	78,205	65,971	73,727	104,137	101,760	91,477
Purchases of Property, Plant, & Equipment	(252)	(504)	(756)	(794)	(833)	(875)	(919)	(965)	(1,013)
Proceeds from Sales of Property and Equipment	66	0	0	0	0	0	0	0	0
Purchases of Marketable Securities	(47,694)	0	0	0	0	0	0	0	0
Sales of Marketable Securities	15,750	20,000	0	0	0	0	0	0	0
Maturities of Marketable Securities	12,950	0	0	0	0	0	0	0	0
Change in Restricted Cash	1,140	0	0	436	0	0	0	0	0
Cash from Investing Activities	(18,040)	19,496	(756)	(358)	(833)	(875)	(919)	(965)	(1,013)
Proceeds from Issuance of Convertible Notes	0	0	0	0	0	0	0	0	0
Repayment of Convertible Notes	0	0	0	0	0	0	0	0	0
Payments of Capital Lease Obligations	0	0	0	0	0	0	0	0	0
Proceeds from Exercise of Stock Options	141	140	138	137	136	135	134	133	132
Proceeds/(Payments) of Initial Public Offering	(1,050)	60,000	0	0	0	0	0	0	0
Other Proceeds/(Payments)	0	0	0	0	0	(1,981)	0	0	0
Cash from Financing Activities	(909)	60,140	138	137	136	(1,846)	134	133	132
Net Change in Cash & Cash Equivalents	3,674	66,652	20,817	77,984	65,273	71,006	103,352	100,928	90,596
Free Cash Flow to Equity									
Net Income		(12,172)	21,403	96,144	50,329	75,866	107,492	95,202	85,341
Add: Non-Cash items		1,287	1,770	3,303	3,443	3,576	3,704	3,829	3,951
Add: Increase in Current Liabilities		(3,392)	875	(1,003)	(725)	37	30	31	31
Subtract: Increase in Current Assets		1,293	(2,613)	(20,239)	12,925	(5,751)	(7,089)	2,699	2,153
Subtract: Capital Expenditures		(504)	(756)	(794)	(833)	(875)	(919)	(965)	(1,013)
FCFF		(13,488)	20,678	77,411	65,138	72,852	103,218	100,795	90,464
Add/Subtract: Debt Issuance/Payment									
FCFE		(13,488)	20,678	77,411	65,138	72,852	103,218	100,795	90,464

Source: Enanta, Credit Suisse estimates

Exhibit 6: Upcoming ENTA Catalysts

Product/Event	Indication	Catalyst	Expected Date	Comments	Price Sensitivity
ABT-450/r + ABT-267 + ABT-333 + RBV	HCV	Topline SAPPHIRE-II PIII data	Q4'13	SAPPHIRE II evaluates 12 weeks of treatment in G1a/G1b Experienced. The primary endpoint is SVR12. Enrollment had been completed as of Jun 28, 2013 according to www.clinicaltrials.gov, suggesting topline data could in mid Dec 2013.	Medium
ABT-450/r + ABT-267 + ABT-333 +/- RBV	HCV	Topline PEARL-IV PIII data	Q4'13	PEARL IV evaluates 12 weeks of treatment in G1a Naïve. The primary endpoint is SVR12. Enrollment had been completed as of Jul 1, 2013 according to www.clinicaltrials.gov, suggesting topline data could come in mid Dec 2013.	High
ABT-450/r + ABT-267 + ABT-333 +/- RBV	HCV	Topline PEARL-III PIII data	Q1'14	PEARL III evaluates 12 weeks of treatment in G1b Naïve. The primary endpoint is SVR12. Enrollment had been completed as of Jul 24, 2013 according to www.clinicaltrials.gov, suggesting that topline data could come in early Jan 2014.	Medium
ABT-450/r + ABT-267 + ABT-333 + RBV	HCV	Topline TURQUOISE-II PIII data	Q1'14	TURQUOISE II evaluates 12 to 24 weeks of treatment in HIV-HCV Compensated Cirrhotics (G1a/G1b Naïve/Experienced). The primary endpoint is SVR12. Enrollment had been completed as of May 13, 2013 according to www.clinicaltrials.gov, suggesting that topline data could come in mid-to-late Jan 2014.	Low
ABT-450/r + ABT-267 + ABT-333 +/- RBV	HCV	Topline PEARL-II PIII data	Q1'14	PEARL II evaluates 12 weeks of treatment in G1b Experienced. The primary endpoint is SVR12. Enrollment had been completed as of Aug 13, 2013 according to www.clinicaltrials.gov, suggesting that data could come in late Jan 2014.	Medium
ABT-450/r + ABT-267 +/- RBV	HCV	Start of PIII trials	H1'14	Enrollment of its PIII program begins in the "West" and Japan.	Low
EDP-239	HCV	Update on Novartis collaboration	H1'14	ENTA's next milestone of \$15M is due when Novartis/ENTA start PII trials evaluating a combination containing EDP-239. ENTA has ~\$398M in aggregate milestones remaining.	Medium
EDP-788	MRSA	Start of PI trial	H1'14	Enrollment of its PI trial begins.	Low
ABT-450/r + ABT-267 +	HCV	Topline TURQUOISE-I PIII data	2014	TURQUOISE I evaluates 12 and 24 weeks of treatment in HIV-HCV Co-infected (G1a/G1b Naïve/Experienced). The primary endpoint is	Low
ABT-493 + ABT-530 +/- RBV	HCV	Topline PII data	2014/2015	ABBV/ENTA plans to start evaluating safety, tolerability, pharmacokinetics, and antiviral activity of ABT-493 and ABT-530 by year end. Topline POC PII data on this regimen could come in 2014. If this regimen shows competitive SVR12, then it could reach the market in ~2017. This regimen could provide better royalty economics to ENTA.	High
ENTA Option on ABT-493	-----	ENTA option exercise	2014/2015	ENTA holds an option to fund 40% of development and commercialization costs in return for 40% of profits associated with ABT-493 and next-gen PIs only.	High

Source: Enanta, Credit Suisse estimates

Companies Mentioned (Price as of 09-Dec-2013)

AbbVie Inc. (ABBV.N, \$51.21)
Bristol Myers Squibb Co. (BMY.N, \$51.21)
Enanta Pharmaceuticals (ENTA.OQ, \$29.66, OUTPERFORM[V], TP \$36.0)
Gilead Sciences Inc. (GILD.OQ, \$75.19)
Johnson & Johnson (JNJ.N, \$94.44)
Medivir SE (MVIRb.ST, Skr90.0)
Merck & Co., Inc. (MRK.N, \$49.56)

Disclosure Appendix

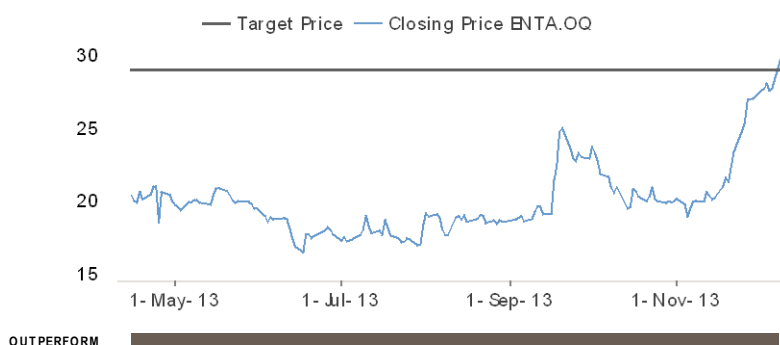
Important Global Disclosures

Ravi Mehrotra PhD, Lee Kalowski, Jason Kantor, PhD, Vamil Divan, MD and Bruce Nudell each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Enanta Pharmaceuticals (ENTA.OQ)

ENTA.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
15-Apr-13	20.35	29.00	O *

* Asterisk signifies initiation or assumption of coverage.



The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; Australia, New Zealand are, and prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.*

Restricted (R) : In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V] : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

**An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	42%	(54% banking clients)
Neutral/Hold*	41%	(49% banking clients)
Underperform/Sell*	15%	(42% banking clients)
Restricted	3%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: http://www.csfb.com/research_and_analytics/disclaimer/managing_conflicts_disclaimer.html

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Price Target: (12 months) for Enanta Pharmaceuticals (ENTA.OQ)

Method: Our DCF-derived TP of \$36 is based on annual cash flows through 2025 10% discount rate, and no terminal value. The cash flows are based on royalties on the protease inhibitor portion of the sales for protease inhibitor based regimens and add-back of all R&D expenses not associated with ABT-450.

Risk: The risks to our TP of \$36 are: (1) The protease inhibitor based regimens are not approved or significantly delayed; (2) The protease inhibitor based regimens do not demonstrate efficacy and safety expected from studies to date; (3) The protease inhibitor based regimens could underperform our expectations for the product launch ramp or peak sales; (4) Competition is more acute than we model; (5) HCV market may not become as large as expected.

Please refer to the firm's disclosure website at <https://rave.credit-suisse.com/disclosures> for the definitions of abbreviations typically used in the target price method and risk sections.

See the *Companies Mentioned* section for full company names

The subject company (ENTA.OQ) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (ENTA.OQ) within the past 12 months.

Credit Suisse has managed or co-managed a public offering of securities for the subject company (ENTA.OQ) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (ENTA.OQ) within the past 12 months

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject company (ENTA.OQ) within the next 3 months.

As of the date of this report, Credit Suisse makes a market in the following subject companies (ENTA.OQ).

Important Regional Disclosures

Singapore recipients should contact Credit Suisse AG, Singapore Branch for any matters arising from this research report.

The analyst(s) involved in the preparation of this report have not visited the material operations of the subject company (ENTA.OQ) within the past 12 months

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit http://www.csfb.com/legal_terms/canada_research_policy.shtml.

Credit Suisse has acted as lead manager or syndicate member in a public offering of securities for the subject company (ENTA.OQ) within the past 3 years.

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

To the extent this is a report authored in whole or in part by a non-U.S. analyst and is made available in the U.S., the following are important disclosures regarding any non-U.S. analyst contributors: The non-U.S. research analysts listed below (if any) are not registered/qualified as research analysts with FINRA. The non-U.S. research analysts listed below may not be associated persons of CSSU and therefore may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Credit Suisse Securities (Europe) Limited.....European Pharma Team

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at <https://rave.credit-suisse.com/disclosures> or call +1 (877) 291-2683.

References in this report to Credit Suisse include all of the subsidiaries and affiliates of Credit Suisse operating under its investment banking division. For more information on our structure, please use the following link: <https://www.credit-suisse.com/who-we-are/en>. This report may contain material that is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse AG or its affiliates ("CS") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates. The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. CS does not advise on the tax consequences of investments and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change. Information and opinions presented in this report have been obtained or derived from sources believed by CS to be reliable, but CS makes no representation as to their accuracy or completeness. CS accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the information presented in this report. Those communications reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other communications are brought to the attention of any recipient of this report. CS may, to the extent permitted by law, participate or invest in financing transactions with the issuer(s) of the securities referred to in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. CS may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment. Additional information is, subject to duties of confidentiality, available on request. Some investments referred to in this report will be offered solely by a single entity and in the case of some investments solely by CS, or an associate of CS or CS may be the only market maker in such investments. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by CS and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk. Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase. Some investments discussed in this report may have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed any such site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of any such website does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk. This report is issued and distributed in Europe (except Switzerland) by Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, England, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. This report is being distributed in Germany by Credit Suisse Securities (Europe) Limited Niederlassung Frankfurt am Main regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht ("BaFin"). This report is being distributed in the United States and Canada by Credit Suisse Securities (USA) LLC; in Switzerland by Credit Suisse AG; in Brazil by Banco de Investimentos Credit Suisse (Brasil) S.A. or its affiliates; in Mexico by Banco Credit Suisse (México), S.A. (transactions related to the securities mentioned in this report will only be effected in compliance with applicable regulation); in Japan by Credit Suisse Securities (Japan) Limited, Financial Instruments Firm, Director-General of Kanto Local Finance Bureau (*Kinsho*) No. 66, a member of Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association; elsewhere in Asia Pacific by whichever of the following is the appropriately authorised entity in the relevant jurisdiction: Credit Suisse (Hong Kong) Limited, Credit Suisse Equities (Australia) Limited, Credit Suisse Securities (Thailand) Limited, having registered address at 990 Abdulrahman Place, 27 Floor, Unit 2701, Rama IV Road, Silom, Bangkok, Bangkok 10500, Thailand, Tel. +66 2614 6000, Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse AG, Singapore Branch, Credit Suisse Securities (India) Private Limited regulated by the Securities and Exchange Board of India (registration Nos. INB230970637; INF230970637; INB010970631; INF010970631), having registered address at 9th Floor, Ceejay House, Dr.A.B. Road, Worli, Mumbai - 18, India, T. +91-22 6777 3777, Credit Suisse Securities (Europe) Limited, Seoul Branch, Credit Suisse AG, Taipei Securities Branch, PT Credit Suisse Securities Indonesia, Credit Suisse Securities (Philippines) Inc., and elsewhere in the world by the relevant authorised affiliate of the above. Research on Taiwanese securities produced by Credit Suisse AG, Taipei Securities Branch has been prepared by a registered Senior Business Person. Research provided to residents of Malaysia is authorised by the Head of Research for Credit Suisse Securities (Malaysia) Sdn Bhd, to whom they should direct any queries on +603 2723 2020. This report has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (each as defined under the Financial Advisers Regulations) only, and is also distributed by Credit Suisse AG, Singapore branch to overseas investors (as defined under the Financial Advisers Regulations). By virtue of your status as an institutional investor, accredited investor, expert investor or overseas investor, Credit Suisse AG, Singapore branch is exempted from complying with certain compliance requirements under the Financial Advisers Act, Chapter 110 of Singapore (the "FAA"), the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder, in respect of any financial advisory service which Credit Suisse AG, Singapore branch may provide to you. This research may not conform to Canadian disclosure requirements. In jurisdictions where CS is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-U.S. customers wishing to effect a transaction should contact a CS entity in their local jurisdiction unless governing law permits otherwise. U.S. customers wishing to effect a transaction should do so only by contacting a representative at Credit Suisse Securities (USA) LLC in the U.S. Please note that this research was originally prepared and issued by CS for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of CS should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the PRA and regulated by the FCA and the PRA or in respect of which the protections of the PRA and FCA for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report. CS may provide various services to US municipal entities or obligated persons ("municipalities"), including suggesting individual transactions or trades and entering into such transactions. Any services CS provides to municipalities are not viewed as "advice" within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. CS is providing any such services and related information solely on an arm's length basis and not as an advisor or fiduciary to the municipality. In connection with the provision of the any such services, there is no agreement, direct or indirect, between any municipality (including the officials, management, employees or agents thereof) and CS for CS to provide advice to the municipality. Municipalities should consult with their financial, accounting and legal advisors regarding any such services provided by CS. In addition, CS is not acting for direct or indirect compensation to solicit the municipality on behalf of an unaffiliated broker, dealer, municipal securities dealer, municipal advisor, or investment adviser for the purpose of obtaining or retaining an engagement by the municipality for or in connection with Municipal Financial Products, the issuance of municipal securities, or of an investment adviser to provide investment advisory services to or on behalf of the municipality. If this report is being distributed by a financial institution other than Credit Suisse AG, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by Credit Suisse to the clients of the distributing financial institution, and neither Credit Suisse AG, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content. Principal is not guaranteed. Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

Copyright © 2013 CREDIT SUISSE AG and/or its affiliates. All rights reserved.

Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-listed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.