

Intrexon Corp.

Uneventful 4Q13 Earnings

Financial results largely in line: In 4Q 2013 XON recognized \$7.1mn in revenues arising from additional collaborations signed throughout the year as well as reimbursement for R&D services. R&D and SG&A expenses were \$12.6mn and \$6.5mn, respectively. Further, \$4.7mn of unrealized appreciation in the fair value of equity securities that it holds in certain collaborators was recognized.

Majority of operating expenses continue to be paid for by collaborators: In 2013, upfront and milestone payments along with reimbursement of R&D services by XON's collaborators made up 58% of operating expenses. We believe this characteristic of its business model keeps costs manageable while XON progresses with new and established Exclusive Channel Collaborations (ECCs).

Royalty stream starts in 2015: XON expects royalty payments from ongoing collaborations to start in 2015, one of which could be related to sales of the Aqua vantage Salmon currently under review by the U.S. FDA. While XON is diversified in its collaborations across multiple industries, we are sitting on the sidelines for now given the early stage of development in most of these projects.

XON: Quarterly and Annual EPS (USD)

	2013		2014		2015		Change y/y		
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2014	2015
Q1	-7.54A	N/A	0.06E	-0.13E	N/A	N/A	N/A	101%	N/A
Q2	-2.46A	N/A	0.01E	-0.13E	N/A	N/A	N/A	100%	N/A
Q3	0.15A	N/A	0.01E	-0.11E	N/A	N/A	N/A	-93%	N/A
Q4	-0.13A	N/A	0.01E	0.04E	N/A	N/A	N/A	108%	N/A
Year	-1.40A	0.15E	0.08E	-0.29E	N/A	0.34E	0.10E	106%	325%
P/E	N/A		320.6			76.6			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

Equity Research

Healthcare | U.S. Biotechnology

1 April 2014

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

Price (31-Mar-2014)	USD 26.29
Potential Upside/Downside	-5%
Tickers	XON

Market Cap (USD mn)	2552
Shares Outstanding (mn)	97.05
Free Float (%)	96.48
52 Wk Avg Daily Volume (mn)	0.6
Dividend Yield (%)	N/A
Return on Equity TTM (%)	N/A
Current BVPS (USD)	3.89

Source: Thomson Reuters

Price Performance	Exchange-NYSE
52 Week range	USD 38.50-17.52



[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	2013A	2014E	2015E	2016E	CAGR
Revenue (\$k)	23,760	108,050	170,700	N/A	N/A
EBITDA (adj) (\$mn)	23,738	60,111	88,895	N/A	N/A
EBIT (adj) (\$k)	-58,023	16,308	61,170	N/A	N/A
Pre-tax income (adj)	N/A	N/A	N/A	N/A	N/A
Net income (adj) (\$k)	-57,371	8,192	35,806	N/A	N/A
EPS (adj) (\$)	-1.40	0.08	0.34	N/A	N/A
Diluted shares (k)	40,952.0	99,472.4	104,446.0	N/A	N/A
DPS	N/A	N/A	N/A	N/A	N/A

Margin and return data	Average				
EBITDA (adj) margin (%)	-274.5	-15.6	5.1	1.8	-70.8
EBIT (adj) margin (%)	-244.2	15.1	35.8	32.5	-40.2
Pre-tax (adj) margin (%)	-170.5	29.0	43.7	39.0	-14.7
Net (adj) margin (%)	-172.2	22.8	30.6	27.3	-22.9
ROIC (%)	-15.2	3.4	10.7	10.0	2.2
ROA (%)	-12.4	3.2	8.3	7.5	1.7
ROE (%)	-15.0	2.2	8.9	8.1	1.0

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	177,489	72,352	159,934	202,128	4.4%
Total assets	469,472	400,048	514,175	562,894	6.2%
Short and long-term debt	N/A	N/A	N/A	N/A	N/A
Other long-term liabilities	4,157	18,904	29,865	32,560	98.6%
Total liabilities	88,129	147,241	232,615	253,600	42.2%
Net debt/(funds)	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	381,343	377,868	402,007	424,710	3.7%
Change in working capital	-8,313	1,185	881	216	N/A
Cash flow from operations	-53,683	30,884	77,430	80,058	N/A
Capital expenditure (\$k)	-1,047	-30,254	-47,796	-52,108	N/A
Free cash flow	-52,636	61,138	125,226	132,166	N/A

Valuation and leverage metrics	Average				
P/E (adj) (x)	N/A	320.6	76.6	N/A	198.6
EV/EBITDA (adj) (x)	-7.4	-1.2	-1.8	N/A	-3.4
Equity FCF yield (%)	-4.8	2.3	4.6	4.6	1.7
EV/sales (x)	-7,362.7	-646.0	-922.0	N/A	-2,976.9
P/BV (x)	2.8	6.9	6.8	6.8	5.8
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 (%)	-25.0	5.0	18.0	N/A	-0.7
SG&A growth (%)	35.0	18.0	20.0	N/A	24.3

Price (31-Mar-2014) USD 26.29
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.

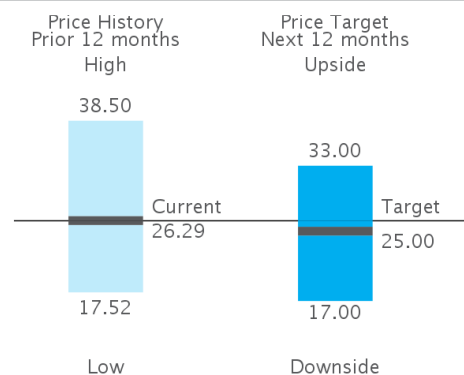
Upside case USD 33.00

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.

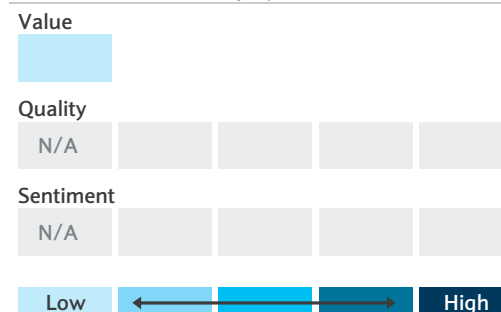
Downside case USD 17.00

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, please go to the equity company page on Barclays Live.

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

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Primary Stocks (Ticker, Date, Price)

Intrexon Corp. (XON, 31-Mar-2014, USD 26.29), Equal Weight/Neutral, A/C/D/J/L/O

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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.

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U.S. Biotechnology

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Arrowhead Research Corp. (ARWR)	Biogen Idec (BIIB)	BioMarin Pharmaceutical (BMRN)
Celgene Corp. (CELG)	Celladon Corp. (CLDN)	Dendreon Corp. (DNDN)
Fibrocell Science Inc. (FCSC)	Gilead Sciences (GILD)	GlycoMimetics Inc. (GLYC)
Halozyne Therapeutics Inc. (HALO)	Idenix Pharmaceuticals (IDIX)	Incyte Corp. (INCY)
Intrexon Corp. (XON)	Medivation Inc. (MDVN)	Regeneron Pharmaceuticals (REGN)
Tetraphase (TTPH)	Trevena Inc. (TRVN)	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 26.29 (31-Mar-2014)

Stock Rating

Industry View

EQUAL WEIGHT

NEUTRAL

Rating and Price Target Chart - USD (as of 31-Mar-2014)

Currency=USD



Date	Closing Price	Rating	Adjusted Price Target
03-Sep-2013	22.31	Equal Weight	25.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

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

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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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