

Rating	OUTPERFORM* [V]
Price (14 Feb 14, US\$)	38.58
Target price (US\$)	43.00 ¹
52-week price range	40.02 - 16.49
Market cap. (US\$ m)	693.13
Enterprise value (US\$ m)	590.94

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

¹Target price is for 12 months.

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

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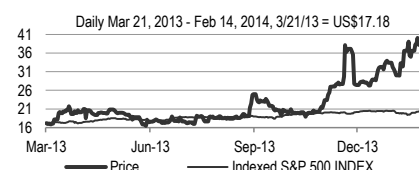
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Share price performance



On 02/14/14 the S&P 500 INDEX closed at 1838.63

Quarterly EPS	Q1	Q2	Q3	Q4
2013A	1.45	-1.71	-0.23	-0.27
2014E	-0.30	0.52	1.56	-0.34
2015E	—	—	—	—

Enanta Pharmaceuticals (ENTA)

EARNINGS

Q1 Uneventful, ABT-450 Launch Coming Soon

- **Summary.** We have updated our model after ENTA's fiscal Q1'14 (calendar Q4'13) earnings. ENTA ended the quarter with cash and cash equivalents of \$106M, which will last for at least the next 24 months. Our FY'14, FY'15, and FY'16 EPS are now \$1.44, \$3.31, and \$1.39 respectively.
- **Launch of ABT-450/r regimen is expected in calendar Q4'14 (or earlier).** ABBV/ENTA has already released topline data for the six registrational trials for its ABT-450/r regimen. ABBV/ENTA intend to file the combination in the US and EU in calendar Q2'14. Given that this regimen has the FDA's breakthrough therapy designation, we expect that FDA approval could come in calendar Q4'14. We do flag that there is potential for a slight acceleration of these timelines.
- **ENTA stands to collect significant ABT-450/r milestones even prior to the commercial launch.** Recall, ENTA is eligible to receive up to \$195M in pre-commercial milestones – up to \$40M from regulatory filing milestones and up to \$155M from commercial regulatory approval milestones in selected world markets.
- **Potential upside from ABT-493 (next-gen PI) as well as NVS-partnered EDP-239 (NS5A).** ABBV/ENTA is examining ABT-493 + ABT-530 in PII trials. If this combination shows competitive SVR, ENTA's royalty economics will improve as the number of DAAs decreases from 3 to 2. ENTA also holds the option in the US to fund 40% of development and commercialization costs related to ABT-493 in exchange for 40% of related profits. NVS could start a PII trial combining one of its DAAs with EDP-239 in 2014.
- **Valuation.** Our DCF-derived TP of \$43 is based on royalties from HCV regimen sales until 2025, 10% discount rate, and no terminal value.

Financial and valuation metrics

Year	09/13A	09/14E	09/15E	09/16E
EPS (CS adj.) (US\$)	-1.25	1.44	3.31	1.39
Prev. EPS (US\$)	—	1.20	4.57	2.96
P/E (x)	-31.0	26.7	11.7	27.7
P/E rel. (%)	-176.2	161.0	77.2	203.2
Revenue (US\$ m)	32.1	52.9	142.0	81.7
EBITDA (US\$ m)	9.3	26.4	112.5	48.3
OCFPS (US\$)	-1.33	1.42	2.69	1.98
P/OCF (x)	-17.2	27.2	14.3	19.5
EV/EBITDA (current)	66.6	22.4	4.6	9.8
Net debt (US\$ m)	-77	-102	-170	-221
ROIC (%)	26.43	70.68	152.72	82.26
Number of shares (m)	17.97	IC (current, US\$ m)		34.16
BV/share (Next Qtr., US\$)	—	EV/IC (x)		—
Net debt (Next Qtr., US\$ m)	—	Dividend (current, US\$)		—
Net debt/tot cap (Next Qtr., %)	—	Dividend yield (%)		—

Source: Company data, Credit Suisse estimates.

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Exhibit 1: 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	Q1'14A	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	15,000	34,000	0	49,000
Other Revenues	1,859	1,196	1,649	1,349	6,053	893	1,000	1,000	1,000	3,893
Total Revenues	27,859	1,196	1,649	1,349	32,053	893	16,000	35,000	1,000	52,893
COGS	0	0	0	0	0	0	0	0	0	0
Gross Profit	27,859	1,196	1,649	1,349	32,053	893	16,000	35,000	1,000	52,893
R&D	4,798	3,704	4,039	4,300	16,841	4,263	4,413	4,634	4,955	18,266
SG&A	1,152	1,493	1,788	1,750	6,183	2,087	2,146	2,142	2,226	8,600
Total Operating Expenses	5,950	5,197	5,827	6,050	23,024	6,350	6,559	6,776	7,181	26,866
Operating Income/(Loss)	21,909	(4,001)	(4,178)	(4,701)	9,029	(5,457)	9,441	28,224	(6,181)	26,027
Total Other Income/(Expense)	48	252	40	258	132	87	20	20	20	80
Pre-Tax Profit/(Loss)	21,957	(3,749)	(4,138)	(4,443)	9,161	(5,370)	9,461	28,244	(6,161)	26,107
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	(5,370)	9,461	28,244	(6,161)	26,107
Net Income to Common Stockholders	1,868	(4,993)	(4,138)	(4,443)	(12,172)	(5,370)	9,461	28,244	(6,161)	26,107
GAAP Basic EPS	\$1.61	(\$2.28)	(\$0.23)	(\$0.25)	(\$1.25)	(\$0.30)	\$0.52	\$1.56	(\$0.34)	\$1.44
GAAP Diluted EPS	\$1.45	(\$2.28)	(\$0.23)	(\$0.25)	(\$1.25)	(\$0.30)	\$0.52	\$1.56	(\$0.34)	\$1.44
Basic Shares Outstanding	1,158	2,192	17,820	17,904	9,769	17,949	18,039	18,129	18,220	18,084
Diluted Shares Outstanding	2,637	2,192	17,820	17,904	9,769	17,949	18,039	18,129	18,220	18,084

Source: Company data, Credit Suisse estimates

Exhibit 2: ENTA Annual Income Statement 2013-2020

ENTA Annual Income Statement (Year Ended September 30) (Dollars in '000s, except share and per share amounts)	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E
ABT-450 Royalty	0	0	4,000	58,664	163,645	188,862	191,353	185,959
Milestones	26,000	49,000	138,000	23,000	0	0	0	0
Other Revenues	6,053	3,893	0	0	0	0	0	0
Total Revenues	32,053	52,893	142,000	81,664	163,645	188,862	191,353	185,959
COGS	0	0	0	0	0	0	0	0
Gross Profit	32,053	52,893	142,000	81,664	163,645	188,862	191,353	185,959
R&D	16,841	18,266	20,352	23,550	28,197	32,281	35,387	37,786
SG&A	6,183	8,600	9,549	10,329	10,740	11,009	11,229	11,454
Total Operating Expenses	23,024	26,866	29,901	33,879	38,937	43,290	46,617	49,240
Operating Income/(Loss)	9,029	26,027	112,099	47,785	124,708	145,571	144,736	136,719
Total Other Income/(Expense)	132	80	216	291	414	577	746	908
Pre-Tax Profit/(Loss)	9,161	26,107	112,315	48,076	125,122	146,149	145,482	137,626
Provision/(Benefit) for Income Taxes	0	0	28,079	12,019	31,280	36,537	36,370	34,407
Effective Tax Rate	0.0%	0.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net Income/(Loss)	9,161	26,107	84,236	36,057	93,841	109,612	109,111	103,220
Net Income to Common Stockholders	(12,172)	26,107	84,236	36,057	93,841	109,612	109,111	103,220
GAAP Basic EPS	(\$1.25)	\$1.44	\$4.45	\$1.86	\$4.72	\$5.38	\$5.23	\$4.84
GAAP Diluted EPS	(\$1.25)	\$1.44	\$3.31	\$1.39	\$3.57	\$4.10	\$4.02	\$3.74
Basic Shares Outstanding	9,769	18,084	18,932	19,417	19,898	20,375	20,849	21,320
Diluted Shares Outstanding	9,769	18,084	25,456	25,884	26,312	26,740	27,167	27,594

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 14-Feb-2014)

Enanta Pharmaceuticals (ENTA.OQ, \$38.58, OUTPERFORM[V], TP \$43.0)

Disclosure Appendix

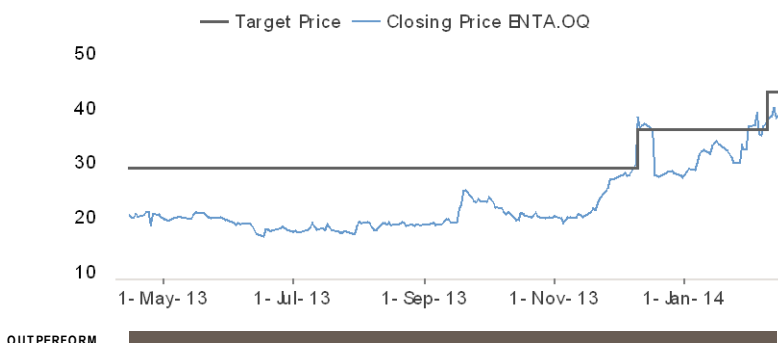
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3-Year Price and Rating History for Enanta Pharmaceuticals (ENTA.OQ)

ENTA.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
15-Apr-13	20.35	29.00	O *
10-Dec-13	38.14	36.00	
09-Feb-14	36.61	43.00	

* Asterisk signifies initiation or assumption of coverage.



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Underperform/Sell*	15%	(44% banking clients)
Restricted	2%	

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

Method: Our DCF-derived TP of \$43 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 \$43 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.

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