Enanta Pharmaceuticals, Inc. (ENTA)

AbbVie/Enanta Set High Bar with First Phase 3 Data Announcement

MARKET OUTPERFORM | Price: $20.25 | Target Price: $25.00

MARKET DATA

Price	$20.25
52-Week Range:	$14.31 - $26.39
Shares Out. (M):	17.8
Market Cap ($M):	$360.5
Average Daily Vol. (000):	99.0
Cash (M):	$115
LT Debt (M):	$0

Source: Thomson Reuters and JMP Securities LLC

FY SEP		2012A	2013E	2014E
Revenue ($M)	1Q	--	$27.9A	--
	2Q	--	$1.2A	--
	3Q	--	$1.6A	--
	4Q	--	$1.4	--
	FY	**$41.7**	**$32.1**	**$60.8**
EPS	1Q	--	$1.53A	--
	2Q	--	($2.28)A	--
	3Q	--	($0.23)A	--
	4Q	--	($0.23)	--
	FY	**$1.13**	**($1.21)**	**$1.10**
	CY	**$2.38**	**--**	**--**

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE

INVESTMENT HIGHLIGHTS

AbbVie/Enanta set high bar with first Phase 3 data announcement; reiterate Market Outperform rating and $25 price target on Enanta Pharmaceuticals based on a risk-adjusted, discounted cash flow analysis. This morning, initial pivotal data for all-oral therapy in GT1 patients was top-lined by AbbVie/Enanta. The SAPPHIRE-1 study delivered cure rates >95% with 12 weeks of therapy in treatment-naive genotype 1 patients, setting a high bar for efficacy. AbbVie intends to file a NDA in 2Q14 and is moving a next generation combination through development that may provide the same efficacy in a two-drug combination without ritonavir with a less complex regimen. As a reminder, Enanta is entitled to an additional $195M in pre-commercial milestones and royalties of one third of sales for this wave 1 regimen. Competitor Gilead is exploring the limits of treatment in its Phase 3 campaign in an eight-week study that produced similar efficacy as AbbVie's 12-week approach in early small studies that will need to be confirmed in larger populations in forthcoming data. We look to the roll-out of additional data to understand the competitive positioning of the two combinations, with the thesis that all else being equal, the simpler, more tolerable regimen is likely to be the market leader; however, we see room for multiple agents.

SAPPHIRE-1. The study investigated treatment-naive patients without signs of cirrhosis - 68% of patients are GT1a, the more difficult to treat GT1 subtype with 95% SVR12 in this group and 98% SVR12 for GT1b patients (96% overall). There was less than 2% breakthrough or relapse on therapy and we are encouraged that discontinuations due to AEs were 0.6% in both the drug cohort and the placebo group. We expect data in treatment-experienced patients (SAPPHIRE-2) to be reported soon, followed by data exploring the need for ribavirin in GT1 and GT1b patients.

Economics. Enanta received $57M upfront from AbbVie and is eligible for $250M+ in milestones from the partnership, with $195M earmarked for the first combination ($55M already paid). We estimate that Enanta will receive $40M for the regulatory filing and the remainder for regulatory approval of the first combination. For this three-drug combination, Enanta will receive a double-digit royalty on one-third of sales (Enanta's compound is one-third of the combination).

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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.

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The research analyst(s) who prepared this report does/do hereby certify that the views presented in this report are in accordance with my/our personal views on the securities and issuers discussed in this report. As mandated by SEC Regulation AC no part of my/our compensation was, is or will be directly or indirectly related to the specific views or recommendations expressed herein. This certification is made under the obligations set forth in SEC Regulation AC. Any other person or entity may not use it for any other purpose. This certification is made based on my/our analysis on the date of this report's publication. I/We assume no obligation to update this certification to reflect any facts,circumstances or events that may subsequently come to my/our attention. Signed Liisa A. Bayko and Heather Behanna

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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.

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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.

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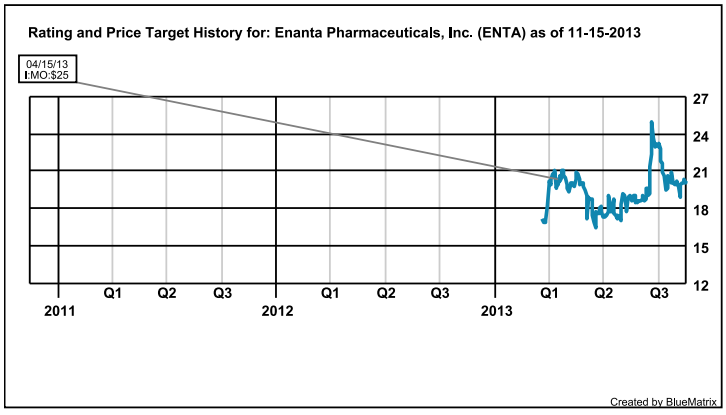
JMP Securities Research Ratings and Investment Banking Services: (as of November 17, 2013)

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	227	*61.19%*	Buy	227	*61.19%*	82	*36.12%*
MARKET PERFORM	Hold	139	*37.47%*	Hold	139	*37.47%*	24	*17.27%*
MARKET UNDERPERFORM	Sell	5	*1.35%*	Sell	5	*1.35%*	0	*0%*
TOTAL:		371	*100%*		371	*100%*	106	*28.57%*

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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