

Intrexon Corp.

1 Q Earnings Review

In 1Q14, XON signed/expanded three exclusive channel collaborations (ECCs):

These include an expanded collaboration with Fibrocell Science (FCSC) as well as new ECCs with Amneal Pharmaceuticals and the newly-formed Intrexon Energy Partners (IEP). Revenue in the quarter was \$7.9mn, primarily related to monies received from up-front payments/reimbursement of R&D services made to XON by its collaborators.

Not expecting as many deals signed per quarter the rest of the year as in Q1:

Throughout the rest of this year, we do not expect the number of new (or the expansion of previous) ECCs to continue at the current run-rate of three/quarter. As a result, we are lowering our ECC expectations for 2014 to 10 from 17.

Changing our price target to \$18 from \$25 to reflect the decrease in expected ECCs;

maintaining our EW rating: Based on its current pace, we are lowering our projections for the number of newly signed or expanded ECCs. While we believe XON has a valuable platform which spans multiple industries, our new assumptions reflect a more realistic view of how often new ECCs are signed and current ECCs are expanded. Our previous PT of \$25 assumed XON would end 2014 with 33 ECCs (translating to \$108mn in revenue), reaching 122 ECCs in 2018 (translating to \$384mn in revenue). Our new PT of \$18 assumes XON will end 2014 with 30 ECCs (translating to \$36mn in revenue), reaching 103 ECCs in 2018 (translating to \$330mn in revenue). We reach our \$18 PT using a discounted cash flow analysis assuming a 10% discount rate and 3% terminal growth rate.

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	0.06E	0.04A	-0.09E	N/A	N/A	N/A	101%	N/A		
Q2	-2.46A	0.01E	-0.13E	-0.07E	N/A	N/A	-0.05E	95%	N/A		
Q3	0.15A	0.01E	-0.12E	-0.07E	N/A	N/A	N/A	-180%	N/A		
Q4	-0.13A	0.01E	-0.12E	N/A	N/A	N/A	N/A	8%	N/A		
Year	-1.40A	0.08E	-0.49E	-0.23E	0.34E	0.37E	0.07E	65%	176%		
P/E	N/A		N/A			41.7					

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

Stock Rating **EQUAL WEIGHT**
Unchanged

Industry View **NEUTRAL**
Unchanged

Price Target **USD 18.00**
lowered -28% from USD 25.00

Price (07-May-2014) USD 15.39
Potential Upside/Downside +17%
Tickers XON

Market Cap (USD mn) 1521
Shares Outstanding (mn) 98.83
Free Float (%) 96.54
52 Wk Avg Daily Volume (mn) 0.6
Dividend Yield (%) N/A
Return on Equity TTM (%) -254.03
Current BVPS (USD) 3.78

Source: Thomson Reuters

Price Performance Exchange-NYSE
52 Week range USD 38.50-15.06



[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	35,650	139,900	N/A	N/A
EBITDA (adj) (\$mn)	23,738	-16,356	73,792	N/A	N/A
EBIT (adj) (\$k)	-58,023	-71,893	19,893	N/A	N/A
Pre-tax income (adj)	N/A	N/A	N/A	N/A	N/A
Net income (adj) (\$k)	-57,371	-49,885	39,093	N/A	N/A
EPS (adj) (\$)	-1.40	-0.49	0.37	N/A	N/A
Diluted shares (k)	40,952.0	100,838.4	105,880.4	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	-232.4	-16.5	-35.8	-139.8
EBIT (adj) margin (%)	-244.2	-201.7	14.2	-5.1	-109.2
Pre-tax (adj) margin (%)	-170.5	-151.2	25.8	6.4	-72.4
Net (adj) margin (%)	-172.2	-148.3	25.8	5.8	-72.2
ROIC (%)	-15.2	-22.1	5.7	-1.7	-8.3
ROA (%)	-12.4	-17.1	3.9	-1.2	-6.7
ROE (%)	-15.0	-15.6	11.3	3.0	-4.1

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	49,509	20,688	91,318	100,100	26.4%
Total assets	469,472	412,892	510,573	499,838	2.1%
Short and long-term debt	N/A	N/A	N/A	N/A	N/A
Other long-term liabilities	859	1,289	5,058	4,555	74.4%
Total liabilities	88,129	93,101	163,355	153,988	20.4%
Net debt/(funds)	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	381,343	319,791	347,217	345,849	-3.2%
Change in working capital	-8,313	7,001	-197	26	N/A
Cash flow from operations	-53,683	-43,606	70,183	37,344	N/A
Capital expenditure (\$k)	-1,047	-9,982	-39,172	-35,280	N/A
Free cash flow	-52,636	-33,624	109,355	72,624	N/A

Valuation and leverage metrics	Average				
P/E (adj) (x)	N/A	N/A	41.7	N/A	41.7
EV/EBITDA (adj) (x)	-2.0	1.2	-1.2	N/A	-0.7
Equity FCF yield (%)	-8.3	-2.2	6.7	4.2	0.1
EV/sales (x)	-2,019.4	-537.4	-641.8	N/A	-1,066.2
P/BV (x)	1.7	4.9	4.7	4.9	4.0
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	10.0	N/A	-3.3
SG&A growth (%)	35.0	65.0	12.0	N/A	37.3

Price (07-May-2014) USD 15.39
Price Target USD 18.00

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.

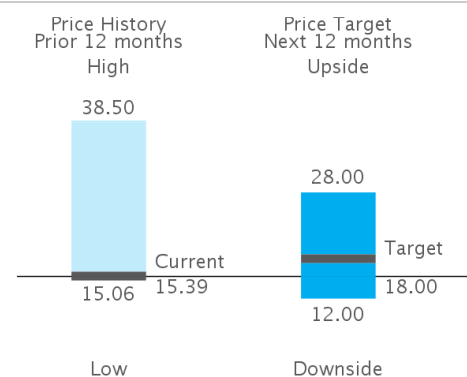
Upside case USD 28.00

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 \$28/share.

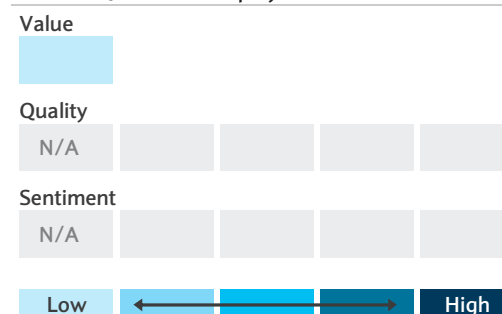
Downside case USD 12.00

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 \$12/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, 07-May-2014, USD 15.39), Equal Weight/Neutral, A/C/D/J/L/O

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Stock Rating

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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U.S. Biotechnology

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Arrowhead Research Corp. (ARWR)	Biogen Idec (BIIB)	BioMarin Pharmaceutical (BMRN)
Celgene Corp. (CELG)	Celladon Corp. (CLDN)	Cempra Inc. (CEMP)
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 15.39 (07-May-2014)

Stock Rating

Industry View

EQUAL WEIGHT

NEUTRAL

Rating and Price Target Chart - USD (as of 07-May-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 \$18/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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