Enanta Pharmaceuticals, Inc. (ENTA)

Competition Posts Phase 2 Data Supporting Eight-Week Regimen

MARKET DATA

Price	$19.57
52-Week Range:	$14.31 - $22.40
Shares Out. (M):	17.4
Market Cap ($M):	$340.5
Average Daily Vol. (000):	51.0
Cash (M):	$109
LT Debt (M):	$0

Source: Thomson Reuters and JMP Securities LLC

FY SEP		2012A	2013E	2014E
Revenue ($M)	1Q	--	$27.9	--
	2Q	--	$1.4	--
	3Q	--	$1.4	--
	4Q	--	$26.4	--
	FY	**$41.7**	**$57.1**	**$48.8**
EPS	1Q	--	$1.53	--
	2Q	--	($0.35)	--
	3Q	--	($0.30)	--
	4Q	--	$0.94	--
	FY	**$1.13**	**$1.99**	**$0.59**
	CY	**$2.38**	**--**	**--**

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE

MARKET OUTPERFORM | Price: $19.57 | Target Price: $25.00

INVESTMENT HIGHLIGHTS

Competition posts Phase 2 data supporting an eight-week regimen; reiterate Market Outperform rating on Enanta Pharmaceuticals and $25 price target based on a risk-adjusted, discounted cash flow analysis. Yesterday, Gilead released interim data from the LONESTAR study. The study evaluated the benefit of sofosbuvir (SFS) and ledipasvir (LED), with and without ribavirin for eight and 12 weeks in treatment naive patients, and for 12 weeks in experienced patients who failed a protease inhibitor, half of which were compensated cirrhotics. Every arm, regardless of patient population, duration of therapy, addition of ribavirin or liver condition, achieved SVR rates of over 95% (Figure 1). In our opinion, these data support the hypothesis that ribavirin will not be needed, making the Gilead combination a true once a day therapy. That being said, this is a single center study, and so we expect the data to be less impressive in a broader patient population. We note that Gilead will run a Phase 3 study in treatment naive non-cirrohtic patients that will be eight weeks in duration with and without ribavirin, and 12 weeks without ribavirin, ION-3, which will be part of the registration package for the combination. We continue to believe that despite some emerging advantages for the Gilead regimen, feedback from physicians suggests room for more than one approach. We should get a better idea of the comparative efficacy of each regimen by year end when Phase 3 data begins to report. We anticipate 25% penetration at peak for the ABBV/ENTA combination.

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FIGURE 1. LONESTAR Data

	GT1 naïve	GT1 naïve	GT1 naïve	GT1 exp	GT1 exp
	SFS/LED 8wks	SFS/LED/RBV 8 wks	SFS/LED 12 wks	SFS/LED 12 wks	SFS/LED/RBV 12 wks
n	20	21	19	19	21
Compensated cirrohsis	0%	0%	0%	50%	
SVR4			**100%**	**95%**	**95%**
SVR8	**95%**	**100%**			
relapse	5%			5%	

Source: Company reports

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.

JMP FACTS AND DISCLOSURES

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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 currently makes a market in the security of Enanta Pharmaceuticals, Inc.

JMP Securities was manager or co-manager of a public offering for Enanta Pharmaceuticals, Inc. in the past 12 months.

JMP Securities Investment Opinion Definitions:

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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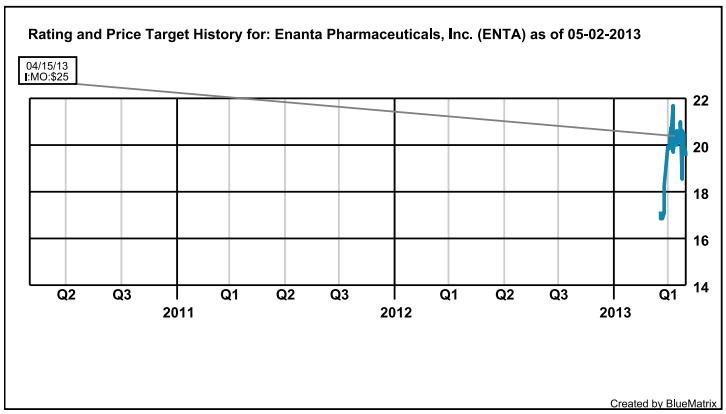
JMP Rating	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	# Co's Receiving IB Services in Past 12 Months	*% of Co's With This Rating*
MARKET OUTPERFORM	Buy	233	*60.52%*	Buy	233	*60.52%*	66	*28.33%*
MARKET PERFORM	Hold	145	*37.66%*	Hold	145	*37.66%*	16	*11.03%*
MARKET UNDERPERFORM	Sell	7	*1.82%*	Sell	7	*1.82%*	0	*0%*
TOTAL:		385	*100%*		385	*100%*	82	*21.30%*

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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