

INTREXON CORPORATION (NYSE: XON)

- **New collaborations expand synthetic biology with meaningful potential.** Since our initiation report was published on Monday, Intrexon announced three new deals that we consider attractive for different reasons.
 - **Oragenics collaboration expands into probiotics** with a goal of developing new therapies for diseases of the oral cavity, throat, sinus and esophagus. The initial focus will be on two inflammatory conditions, Behcet's disease and aphthous stomatitis (i.e., recurrent canker sores). The deal provides for a \$6 million payment in common shares and a \$1.9 million promissory note for Intrexon. Also, Intrexon purchased \$3.9 million of OGEN stock at \$3.00 per share. The deal combines Intrexon's technologies in synthetic biology with Oragenics's expertise in probiotics for oral indications that are not well served by today's medicines.
 - **ECC signed with a multinational drug company.** Intrexon formed a joint venture with Sun Pharmaceutical Industries, which has a market cap of \$20 billion and specializes in niche therapies in several medical fields. An ECC grants the joint venture full access to Intrexon's technologies for the field of ophthalmology. Initial projects will include two diseases with large patient populations, dry age-related macular degeneration and glaucoma, and a rare, but well-known condition, retinitis pigmentosa.
 - **Intrexon is reaching out to the huge consumer market** through a new company, BioPop, that will create "living art" inspired by organisms. Products will include fine & decorative art, toys, and novelties.
- **We like the new deals** – two expand Intrexon's presence in medicine by targeting rare and common conditions and the other should increase consumer's level of comfort with and awareness of synthetic biology.

We reiterate our BUY recommendation and maintain our price target at \$36.00.

Share Price (10/4/2013)	\$25.10
52-Week Price Low / High	\$21.65 - \$31.44
Mkt. Capitalization (issued)	\$2.44 billion
Shares Outstanding (issued)	97.0 million
12-month Target Price	\$36.00
Average Daily Volume (3 mos.)	420,154
Website	www.intrexon.com
Est'd 2013 Earn's (Loss)/shr	(\$0.71)
Est'd 2013 Adj EBITDA/shr	\$0.03
Est'd 2014 Earn's (Loss)/shr	(\$0.26)
Est'd 2014 Adj EBITDA/shr	\$0.82



Intrexon Corporation (NYSE: XON) is a leader in synthetic biology, a discipline that applies engineering principles to biological systems. The Company has a proprietary set of complementary technologies that enable the design, construction, and regulation of genes to develop new and/or improved biological products and manufacturing processes. Key technologies include the UltraVector® comprised of modular DNA components, including the clinically-validated RheoSwitch Therapeutic System®, Cell Systems Informatics with a database of modules and cellular pathways and simulation programs

for *in silico* research with predictive power, the LEAP™ cell selection instrument, and mAbLogix™ platform for antibody production via B-cell libraries.

Intrexon's business model is based on Exclusive Channel Collaborations (ECCs) with companies with expertise in specific areas to ensure the broadest commercial use of its technologies. The four targeted end-user industries are: healthcare, food, energy & chemicals, and environment. The ECC terms provide for technology access fees, reimbursement of R&D costs, milestones, and royalties.

INVESTMENT CONSIDERATIONS

For a complete description of risks and uncertainties related to Intrexon Corporation's business, see the "Risk Factors" section in Intrexon's SEC filings, which can be accessed directly from the SEC Edgar filings at www.sec.gov. Potential risks include:

- **Stock risk and market risk:** Trading of the Company's common stock only recently began trading and its valuation can vary widely on a daily basis. There can be no assurance that an active and liquid trading market will be sustained, which could limit one's ability to buy or sell the Company's common stock at a desired price. Investors should also consider technical risks, such as float, risk of dilution, and dependence upon key personnel.
- **Competitive risk:** The markets for some products derived from synthetic biology are already well established with competition based on product characteristics, pricing, and marketing support. Other markets will likely emerge as synthetic biology gains broader acceptance. It is unknown whether other companies are actively engaged in the development/commercialization of products to directly or indirectly address the areas being pursued by Intrexon and its collaborators. These companies may have substantially greater capabilities, as well as significantly greater marketing, financial, and human resources than Intrexon and/or its collaborators.
- **Products still in development phases:** The Company's products may appear to be promising, but they may not reach commercialization for various reasons, including a lack of efficacy in clinical trials, failure to achieve regulatory approvals, safety concerns, and/or the inability to be manufactured at a reasonable cost. And even if the products are commercialized, there can be no assurance that they will be accepted, which may prevent the Company from becoming profitable.
- **Funding requirements:** It is difficult to predict Intrexon's future capital requirements. The Company may need additional financing to continue to fund operations and expand its business. There is no guarantee that it can secure the desired future capital or, if sufficient capital is secured, that current shareholders will not suffer significant dilution.
- **Regulatory risk:** There is no guarantee that products under development with the Company's technologies will be approved by U.S. and/or international regulatory bodies for marketing in the U.S. or abroad. In addition, regulations pertaining to synthetic biologics may undergo further changes, which may affect the Company's ability to gain regulatory approvals and/or labeling that supports its collaborators' marketing strategies.
- **Reimbursement risk:** Healthcare reimbursement decisions have undergone significant changes and may continue to do so. There is no guarantee that the Company's therapeutic agents will receive adequate insurance coverage for them to be commercially viable.
- **Patent risk:** Synthetic biologics is an emerging field, and although Intrexon has licensed and/or filed for numerous patents to secure its right to commercialize products based on its technologies, these patents may not protect the advantages that its technologies currently provide or the products developed with its expertise in the marketplace.

DISCLOSURES

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INTREXON PRICE CHART



Source: BigCharts.com

9/30/13 – Initiating Coverage: share price, \$23.01; rating, BUY; 12-month price target, \$36.00; **10/4/2013 Update:** share price, \$25.10; rating, BUY, 12-month price target, \$36.00.

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