Enanta Pharmaceuticals, Inc. (ENTA)

Pan-Genotypic Combination Creates a Window for AbbVie/Enanta

MARKET OUTPERFORM | Price: $38.84 | Target Price: $50.00

MARKET DATA

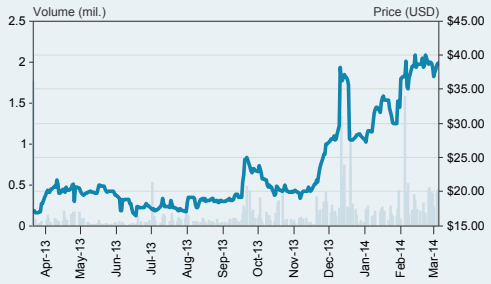
Price	$38.84
52-Week Range:	$14.31 - $41.10
Shares Out. (M):	17.9
Market Cap ($M):	$695.2
Average Daily Vol. (000):	441.0
Cash (M):	$106
LT Debt (M):	$0

Source: Thomson Reuters and JMP Securities LLC

FY SEP		2012A	2013A	2014E
Revenue ($M)	1Q	--	$27.9	$0.9A
	2Q	--	$1.2	$1.6
	3Q	--	$1.6	$41.6
	4Q	--	$1.3	$1.6
	FY	**$41.7**	**$32.1**	**$45.6**
EPS	1Q	--	$1.53	($0.30)A
	2Q	--	($2.28)	($0.28)
	3Q	--	($0.23)	$1.72
	4Q	--	($0.25)	($0.30)
	FY	**$1.13**	**($0.67)**	**$0.90**
	CY	**$2.38**	**($3.06)**	**--**

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE



INVESTMENT HIGHLIGHTS

Pan-Genotypic combination creates a window for AbbVie/Enanta; we reiterate our Market Outperform rating and $50 price target on Enanta based on an NPV analysis of takeout value by partner AbbVie. At the Conference for Retroviruses and Opportunistic Infections (CROI), we got a first look at the properties of Enanta's protease inhibitor, ABT-493. We are encouraged by the potential for once daily dosing without ritonavir and the pangenotypic activity demonstrated in vitro (Figure 1) as well as additive to synergistic activity in vitro with ABT-530, a pangenotypic NS5a (Figure 2). In our view, data from competitor Gilead this week has moved the bar for efficacy of next generation combinations higher with the demonstration of a three drug combination with 95% cure rates after only six weeks of therapy. However, we believe there is room for a once daily pangenotypic combination to be competitive for HCV, especially for GT3 patients who have proven to be the hardest to treat. This next generation combination is in Phase 2 development. As a reminder, Enanta would receive royalties on half of this combination, in contrast to the first three drug combination, where it receives royalties on only one-third of the combination.

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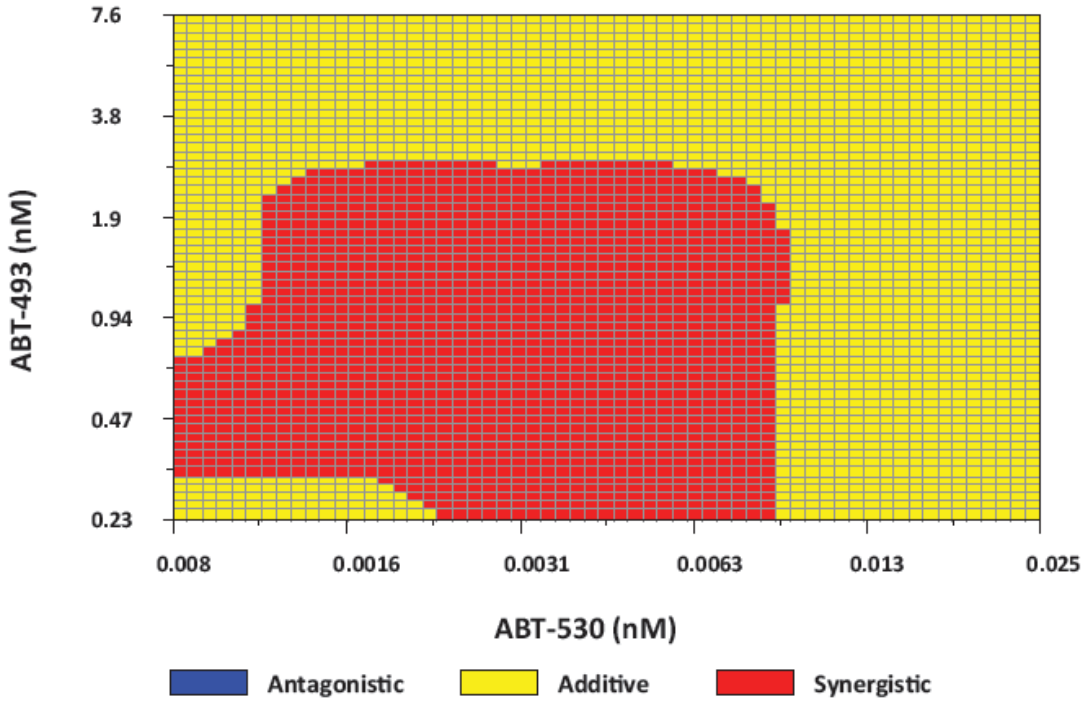
FIGURE 1. In vitro potency of ABT-493 – Replicon Data

HCV Replicon	Mean EC_{50}, nM
GT 1a	0.85 ± 0.15
GT 1b	0.94 ± 0.35
GT 2a[a]	2.7 ± 1.1
GT 3a	1.6 ± 0.49
GT 4a	2.8 ± 0.41
GT 6a	0.86 ± 0.11

Source: CROI 2014

FIGURE 2. Interactions with ABT-493 and ABT-530



Source: CROI 2014

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 upon 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 its 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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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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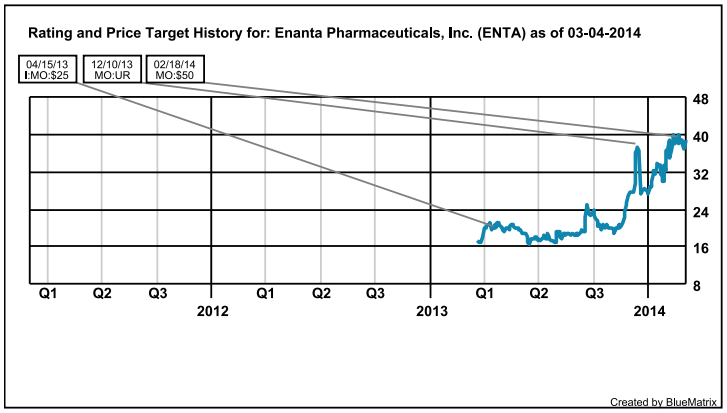
JMP Rating	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	# Co's Receiving IB Services in Past 12 Months	*% of Co's With This Rating*
MARKET OUTPERFORM	Buy	245	*56.32%*	Buy	245	*56.32%*	95	*38.78%*
MARKET PERFORM	Hold	139	*31.95%*	Hold	139	*31.95%*	18	*12.95%*
MARKET UNDERPERFORM	Sell	8	*1.84%*	Sell	8	*1.84%*	0	*0%*
COVERAGE IN TRANSITION		43	*9.89%*		43	*9.89%*	0	*0%*
TOTAL:		435	*100%*		435	*100%*	113	*25.98%*

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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