

# Enanta Pharmaceuticals, Inc. (ENTA)

Reports FY2Q13

## MARKET DATA

Price	\$19.90
52-Week Range:	\$14.31 - \$22.40
Shares Out. (M):	17.4
Market Cap (\$M):	\$346.3
Average Daily Vol. (000):	26.0
Cash (M):	\$122
LT Debt (M):	\$0

Source: Thomson Reuters and JMP Securities LLC

**MARKET OUTPERFORM** | Price: \$19.90 | Target Price: \$25.00

## INVESTMENT HIGHLIGHTS

**Enanta Pharmaceuticals reports FY2Q13 earnings; reiterate Market Outperform rating and \$25 price target** based on a risk-adjusted, discounted cash flow analysis. This morning, Enanta announced FY2Q13 net loss of \$5.0M, slightly greater than our estimate of \$4.7M and announced EPS of (\$2.28), lower than our estimate of (\$0.35) due to weighted average shares outstanding from the recent IPO. Adjusting our numbers forward for the year changes our FY13 EPS estimate to \$0.04 from \$1.99 due to the updated share count post-IPO. Enanta ended the quarter with \$122M in cash which we believe is sufficient to fund operations at least through 2015, when we anticipate royalty stream from commercialization of ABT-450 for HCV. We believe the near-term value driver for Enanta will be the release of data from the Phase 3 studies of the ABT-450 combination in 2H13.

FY SEP	2012A	2013E	2014E
Revenue (\$M) 1Q	--	\$27.9A	--
2Q	--	\$1.2A	--
3Q	--	\$1.4	--
4Q	--	\$16.4	--
<b>FY</b>	<b>\$41.7</b>	<b>\$46.9</b>	<b>\$48.8</b>
EPS 1Q	--	\$1.53A	--
2Q	--	(\$2.28)A	--
3Q	--	(\$0.31)	--
4Q	--	\$0.45	--
<b>FY</b>	<b>\$1.13</b>	<b>\$0.04</b>	<b>\$0.59</b>
Previous FY	NC	\$1.99	NC
<b>CY</b>	<b>\$2.38</b>	--	--

Source: Company reports and JMP Securities LLC

## STOCK PRICE PERFORMANCE



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FOR DISCLOSURE AND FOOTNOTE INFORMATION, REFER TO JMP FACTS AND DISCLOSURES SECTION.

## 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

### Analyst Certification:

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

### JMP Securities Disclosure Definitions:

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.

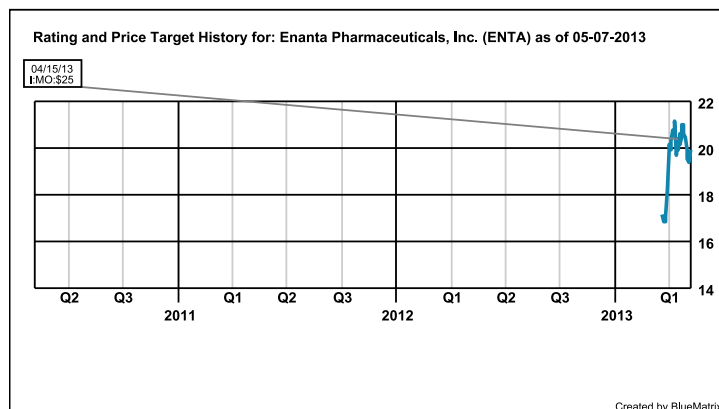
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

### JMP Securities Research Ratings and Investment Banking Services: (as of May 7, 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	233	60.21%	Buy	233	60.21%	67	28.76%
MARKET PERFORM	Hold	149	38.50%	Hold	149	38.50%	17	11.41%
MARKET UNDERPERFORM	Sell	5	1.29%	Sell	5	1.29%	0	0%
TOTAL:		387	100%		387	100%	84	21.71%

### 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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