Enanta Pharmaceuticals (ENTA)

Rating	**OUTPERFORM* [V]**
Price (12 Apr 13, US$)	19.68
Target price (US$)	29.00[1]
52-week price range	21.69 - 16.83
Market cap. (US$ m)	343.15
Enterprise value (US$ m)	-72,380.28

**Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

Research Analysts

Ravi Mehrotra PhD
212 325 3487
ravi.mehrotra@credit-suisse.com

Koon Ching PhD
212 325 6286
koon.ching@credit-suisse.com

Lee Kalowski
212 325 9683
lee.kalowski@credit-suisse.com

Jason Kantor, PhD
415 249 7942
jason.kantor@credit-suisse.com

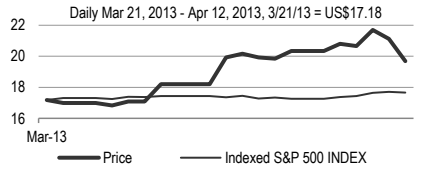
Jeremiah Shepard, PhD
415 249 7933
jeremiah.shepard@credit-suisse.com

INITIATION

A Slice of a Big Cake

- **We Are Initiating Coverage of Enanta (ENTA) with Outperform and $29 Target Price:** Founded in 1995, ENTA specializes in the research and development of drugs to treat Hepatitis C Virus (HCV) and other infectious diseases. ENTA's ABT-450 is the central component in ABBV's all-oral, interferon-free combination for treating HCV, which could launch in 2015.
- **HCV Is Set to Be the Next >$10B Therapeutic Market:** HCV is currently a *ca*$5B market served by protease inhibitor (PI) / interferon-based regimens. Despite *ca*9M HCV patients in EU, U.S., and Japan, only *ca*150K patents are currently treated annually due to a combination of low diagnosis rates, "smoldering"/non-acute nature of the disease, and "less-than-ideal" clinical profile (side effects: anemia, rash, flu-like symptoms) of standard-of-care. One of the big debates remains how big this market can grow to and for how long. Even on conservative assumptions, we estimate a $13B HCV market by 2020, essentially assuming a doubling of treated patients.
- **Modeling 20% Market Share for ABT-450/r-Based Regimens by 2017:** The ABT-450/r-based combination is less convenient than GILD's Sofosbuvir-based regimen and other regimens in PII trials. We model that GILD's Sofosbuvir-based regimen will garner majority share, while other combinations in PII studies are expected to obtain significant share.
- **Valuation:** Our DCF-derived target price of $29 is based on what we consider conservative assumptions. Our valuation factors in: (1) 2015 launch of the ABT-450/r-based regimen, 12-18% tiered royalties on the ABT-450 contribution, WW peak sales for the ABT-450/r-based regimen of ~$2.2B in 2018, and no value post 2024; and (2) 2014 and 2015 delivering of $195M in milestones associated with the ABT-450 collaboration. Our DCF does not include the rest of ENTA's pipeline, such as the Novartis-partnered NS5A inhibitor or second-generation ABBV's/ENTA PI. As an interesting note, just discounting $195M in milestones and current cash gets us to *ca*$14/share.

Share price performance



On 04/12/13 the S&P 500 INDEX closed at 1588.85

Quarterly EPS	Q1	Q2	Q3	Q4
2012A	—	—	—	—
2013E	1.53	-0.32	-0.38	-0.45
2014E	—	—	—	—

Financial and valuation metrics

Year	09/12A	09/13E	09/14E	09/15E
EPS (CS adj.) (US$)	1.51	0.17	-0.78	4.24
Prev. EPS (US$)	—	—	—	—
P/E (x)	13.0	117.8	-25.2	4.6
P/E rel. (%)	86.0	837.8	-199.8	40.7
Revenue (US$ m)	41,706.0	32,359.0	34,000.0	153,822.1
EBITDA (US$ m)	21,461.0	2,754.9	-13,449.4	125,522.8
OCFPS (US$)	1.60	-1.07	-0.58	3.34
P/OCF (x)	—	-18.3	-34.1	5.9
EV/EBITDA (current)	0.02	0.12	-0.03	0.00
Net debt (US$ m)	-10,511	-72,723	-62,004	-143,710
ROIC (%)	63.67	16.71	-100.18	266.21

Number of shares (m)	17.44	IC (current, US$ m)	33,438.00
BV/share (Next Qtr., US$)	—	EV/IC (x)	—
Net debt (Next Qtr., US$ m)	—	Dividend (current, US$)	—
Net debt/tot cap (Next Qtr., %)	—	Dividend yield (%)	—

Source: Company data, Credit Suisse estimates.

Investment Thesis

We Are Initiating Coverage of Enanta (ENTA) with an Outperform and a $29 Target Price: Enanta is a biopharmaceutical company that specializes in researching and developing novel agents for treating infections from hepatitis C virus (HCV), methicillin-resistant staphylococcus aureus (MRSA), and other microorganisms. Enanta's lead pipeline compound is ABT-450, a NS3 protease inhibitor, partnered with AbbVie. ABT-450 boosted with ritonavir (ABT-450/r) is the central component in AbbVie's all-oral, interferon-free regimens for treating HCV. ABT-450/r-based combinations are currently being studied in several PIII trials in HCV genotype 1 (G1) patients.

ABT-450/r Is the Key Component in AbbVie's All-Oral Interferon-Free Regimen: AbbVie is currently evaluating a combination of ABT-450/r with ABT-267, a NS5A inhibitor, and ABT-333, a non-nucleoside inhibitor, with or without ribavirin. AbbVie's regimen will be at least a four-pill regimen: two pills of ABT-450/r/ABT-267 given once a day and one pill of ABT-333 given twice per day. This regimen may or may not need the use of ribavirin (RBV). The addition of ribavirin could increase the pill burden by up to six, as ribavirin involves two to three pills dosed twice per day.

Significant Unmet Needs Remain in HCV: Despite the approval of Victrelis and Incivek in May 2011, the regimens for treating HCV continue to be burdensome. Both agents require the use of interferon, which can cause flu-like symptoms, and ribavirin, which can cause anemia. In addition, Victrelis and Incivek add to the safety/tolerability burden. Both increase anemia. In addition, Incivek could cause rashes. This poor safety/tolerability profile has limited the number of HCV patients willing to seek treatment. The advent of all-oral, interferon-free regimens could potentially revolutionize the treatment landscape in HCV.

Enanta Is Poised to Be an Important Player in the Future HCV Treatment Landscape: The standard-of-care in HCV has evolved rapidly over the last few years. Before 2011, the standard treatment in HCV involved 48 weeks of treatment with interferon and ribavirin in HCV G1 patients and 24 weeks of treatment with interferon and ribavirin for other HCV genotypes. Beginning in 2011, the first-generation protease inhibitors, Incivek and Victrelis, were launched. This launch ushered in the era of direct acting antivirals, which are compounds that directly target HCV. However, these therapies still required the use of interferon and ribavirin. The next-generation direct acting antivirals, Gilead's Sofosbuvir and J&J/Medivir's Simeprevir, will increase efficacy and improve safety, but will still require the use of interferon and ribavirin. The biggest advance, which could occur by 2015, is the launch of all-oral, interferon-free regimens. The first two regimens that could hit the market are from Gilead (Sofosbuvir + Ledipasvir +/- RBV) and AbbVie/Enanta (ABT-450/r/ABT-267 + ABT-333 +/- RBV).

ABT-450/r-Based Regimens Have Shown High Sustained Virological Response (SVR) Rates in Robust PII Trials: AbbVie examined several ABT-450/r-based combinations in large PII trials (PILOT, CO-PILOT, and AVIATOR) in HCV G1 patients. These trials showed that ABT-450/r-based combinations could lead to high SVR rates as high as 99%. In addition, the safety/tolerability profile from these various combinations was very favorable. Overall, the combinations were generally safe and well tolerated. The SVR data and key safety/tolerability issues obtained from PILOT, CO-PILOT, and AVIATOR trials are provided in Exhibit 14, Exhibit 30, Exhibit 31, Exhibit 33, and Exhibit 35.

AbbVie is Evaluating ABT-450/r + ABT-267 + ABT-333 +/- RBV in a Large PIII Program, with Readouts Beginning in Q4'13: The PIII program will evaluate this specific combo in HCV G1a/G1b treatment of naïve and experienced patients as well as special populations (i.e., treatment naïve and experienced HCV G1 patients co-infected with HIV and HCV GT1 patients with compensated cirrhosis). Exhibit 15 provides an overview of the PIII program.

HCV Market Could Be a Substantial Opportunity by 2020: There are an *ca*9M patients with HCV in the U.S., Japan, and Europe. We currently project that the HCV market could reach $13B by 2020, driven by a combination of pricing premiums, increased compliance, and inflows of treating patients. We currently forecast that ABT-450/r-based regimens could capture *ca*25% of the total patient market and *ca*20% of market sales. We currently project that the ABT-450/r-based regimen could garner sales of $2.2B in 2018, followed by a gradual decline to $1.8B by 2020. We expect that AbbVie will likely try to compete by pricing ABT-450/r-based regimen at a 20% discount to Gilead's Sofosbuvir-based regimen. We expect that the number of patients could grow from *ca*150K across the U.S., EU, and Japan to *ca*300K across the U.S., EU, and Japan by 2020.

Upside Could Come from Expansion into Emerging Markets: It is currently estimated that there are *ca*140M patients with HCV around the world outside of the U.S., EU, and Japan. Use of these of all-oral, interferon-free regimens could provide a boost to sales. For example, the number of infected HCV patients in China, India, and Egypt is 41.5M

Additional Upside Could Be Driven by the Second-Generation Protease Inhibitor: AbbVie/Enanta recently announced that a second-generation protease inhibitor entered PI clinical trials in late 2012. This development is important for a few reasons. First, it enables AbbVie/Enanta to bring a combination that could be on par in terms of convenience relative to Gilead's Sofosbuvir-based regimen, given that the second-generation protease inhibitors will likely not require ritonavir. In addition, AbbVie plans to co-formulate the second-generation protease inhibitor with its second-generation NS5A inhibtor. Assuming the potency is very similar to ABT-450, then we expect that AbbVie will likely evaluate combinations based on this protease inhibitor. If that is the case, then economics for Enanta could improve if (1) Enanta decides to opt in to share in the profits in exchange for funding some development costs, or (2) the number of direct acting antivirals decreases from three to two, which instantly improves their economics by 33%, given that Enanta's royalties are based on sales of the total combination allocated to ABT-450 and/or the second-generation protease inhibitor.

Rest of the Pipeline Could Drive Further Upside as Well: In particular, we flag that Enanta is currently evaluating EDP-239, a NS5A inhibitor, in partnership with Novartis. Novartis recently took this drug into Phase I trials. Novartis may elect to take EDP-239 further into clinical development, which will likely drive further milestones to Enanta. Enanta signed a partnership for milestones worth up to $406M and tiered double-digit royalties based on EDP-239 proportion for EDP-239-based combination sales. The drug has showed very high potency, among the best NS5A inhibitors in preclinical studies. Other preclinical pipeline products for Enanta include EDP-546, a cyclophilin inhibitor for treatment of HCV; EDP-788, a bicyclocide antibiotic, for treatment for MRSA; and a NS5B Nucleotide inhibitor for treatment of HCV.

Valuation

Enanta is a company mainly with clinical development risk. Our $29 target price for Enanta is derived from a company DCF-based valuation based on what we consider conservative ABT-450/r-based regimens assumptions. We stress that our valuation does not include and value for (1) ABT-450/r-based regimen after 2024 or (2) any of the pipeline, including the second-generation protease inhibitor. Specifically, our DCF-based valuation assumes:

(1) Royalties on the ABT-450 portion of the ABT-450/r-based regimen sales in the U.S., EU, and Japan.

(2) Milestones mainly from the collaboration agreement for ABT-450 with AbbVie.

We project that the ABT-450/r-based regimen will reach worldwide peak sales of ~$2.2B in 2018 (U.S.: ~$1.8B; EU: ~$865M; and Japan: ~$545M). We assume annual cash flows through 2023. In addition, we have added R&D expenses back in our valuation, given that all of Enanta's R&D expenses are associated with research and development of the rest of its pipeline. We currently do not model any further fund raisings, as Enanta does not need to fund development and commercialization of ABT-450. However, if Enanta exercises its option to co-develop and share in the profit of the second-generation protease inhibitor or other protease inhibitors developed in the research collaboration agreement with AbbVie, then Enanta will likely need to raise more funds. We expect that Enanta will likely be profitable beginning in 2015 based on milestone and royalty payments associated with ABT-450. The DCF-based valuation of Enanta is shown in Exhibit 1.

As an interesting note, just discounting the 2014 and 2015 $195M milestones and current cash gets us to ca$14/share.

Exhibit 1: ENTA DCF Valuation

DCF Valuation (Corporate)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Free Cash Flows to Equity	(10,858)	81,133	65,182	60,119	64,267	59,571	53,395	43,868	32,228	20,250
R&D Add Back	41,105	20,553	10,276	10,482	10,692	10,905	11,123	11,346	11,573	11,804
Cash Flows	30,248	101,686	75,458	70,601	74,958	70,477	64,519	55,214	43,801	32,054
PV of Cash Flow	28,296	86,476	58,337	49,620	47,893	40,936	34,069	26,505	19,114	12,717

PV of Cash Flows (2014-2034)	403,962
Net Cash (2013)	85,476
Shares Out	16,999
U.S. Value/Share	**$28.79**
Net Cash/Share	**$5.03**

Source: Company data, Credit Suisse estimates.

Our key assumptions in modeling sales of the ABT-450/r-based regimen include:

- Sales from ABT-450/r-based regimens for treatment of HCV only based on FDA-approved label in the U.S., EU, and Japan;
- 10% discount rate;
- Price of $56K in the U.S. per patient annually;
- Annual cash flows until 2023;
- Launch of ABT-450/r-based product by 2015;
- ABT-450/r-based product peak sales of ~$2.2B in 2018 (U.S.: ~$1.8B; EU: ~$865M; and Japan: ~$545M); and
- Patent protection until 2034

Risks

Key risks to our Enanta target price include the following:

- **Financing Risk:** We estimate that Enanta ended calendar Q1'13 with around $100M in cash, cash equivalents, and investments. We currently do not model any additional fund raising for Enanta, given that Enanta does not need to fund development and commercialization of the ABT-450/r-based regimen. However, we do note that, if Enanta decides to opt into the profit share (in exchange for funding development costs) for the next-generation protease inhibitor, then Enanta will likely need to raise additional funding. The need for additional capital and/or more than expected dilution could have a negative impact on our valuation.
- **ABT-450/r-Based Regimen Is Not Approved or Significantly Delayed:** Enanta is heavily dependent on the success of ABT-450/r. If Enanta fails to obtain regulatory approval for ABT-450/r, then its business will be materially harmed.
- **ABT-450/r-Based Regimen Does Not Demonstrate Efficacy and Safety Expected from Data on Studies to Date:** Our assumptions are based on expectations regarding ABT-450/r's efficacy and safety. If ABT-450/r is shown to be less efficacious and safe than is expected, then our sales estimates for ABT-450/r could fall short of expectations.
- **ABT-450/r-Based Regimen Could Underperform Our Expectations for the Product Launch Ramp or Peak Sales:** In modeling ABT-450/r, we have developed a patient-driven model to attempt to forecast the launch trajectory and peak sales. However, if any of the following parameters (i.e., pricing, treatment rate, average duration of therapy) are worse than our expectations, our sales estimates for ABT-450/r could be too high.
- **Competition Is More Acute than We Model:** We currently assume that ABT-450/r-based regimen garners a peak 20% market share, with Gilead's Sofosbuvir-based regimen garnering *ca*50% market share and cumulatively "other" regimens *ca*30% by 2017. In particular, we note the large number of competitive regimes in PII development.
- **HCV Market May Not Become as Large as Expected:** We currently have projected a particular size of the HCV market based on a patient-driven model. If the number of projected patients seeking treatment is lower than projected, then the total HCV market could be significantly lower than forecast. We also assume a *ca*20% pricing discount for the ABT-450/r-based regimen (over Gilead's Sofosbuvir-based regime); this could evolve to be larger, especially if we see numerous "other" regimen competition

ENTA Financials

Exhibit 2: Enanta Quarterly Income Statement

ENTA Quarterly Income Statement *(Year Ended September 30)*	Q1'13A	Q2'13E	Q3'13E	Q4'13E	2013E
(Dollars in thousands, except share and per share amounts)					
ABT-450 Royalty	0	0	0	0	0
Milestones	26,000	0	0	0	26,000
Other Revenues	1,859	1,500	1,500	1,500	6,359
Total Revenues	**27,859**	**1,500**	**1,500**	**1,500**	**32,359**
COGS	0	0	0	0	0
Gross Profit	**27,859**	**1,500**	**1,500**	**1,500**	**32,359**
R&D	4,798	5,506	6,319	7,254	23,877
SG&A	1,152	1,349	1,584	1,866	5,950
Total Operating Expenses	**5,950**	**6,854**	**7,903**	**9,120**	**29,827**
Operating Income/(Loss)	**21,909**	**(5,354)**	**(6,403)**	**(7,620)**	**2,532**
Interest Income	35	55	55	55	200
Interest Expense	(7)	(10)	(10)	(10)	(37)
Other Income/(Expense)	20	0	0	0	20
Total Other Income/(Expense)	48	45	45	45	183
Pre-Tax Profit/(Loss)	**21,957**	**(5,309)**	**(6,358)**	**(7,575)**	**2,715**
Provision/(Benefit) for Income Taxes	0	0	0	0	0
Effective Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Income/(Loss)	**21,957**	**(5,309)**	**(6,358)**	**(7,575)**	**2,715**
GAAP Basic EPS	$1.71	($0.32)	($0.38)	($0.45)	$0.17
GAAP Diluted EPS	$1.53	($0.32)	($0.38)	($0.45)	$0.17
Basic Shares Outstanding	12,815	16,852	16,894	16,936	15,874
Diluted Shares Outstanding	14,295	16,852	16,894	16,936	16,244

Source: Enanta, Credit Suisse estimates.

Exhibit 3: Enanta Annual Income Statement

ENTA Annual Income Statement *(Year Ended September 30)*	2010A	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
(Dollars in thousands, except share and per share amounts)														
ABT-450 Royalty	0	0	0	0	0	15,822	62,718	97,703	101,538	92,569	84,770	70,929	55,243	39,557
Milestones	6,518	41,882	41,706	26,000	34,000	138,000	23,000	0	0	0	0	0	0	0
Other Revenues	16,245	0	0	6,359	0	0	0	0	0	0	0	0	0	0
Total Revenues	**22,763**	**41,882**	**41,706**	**32,359**	**34,000**	**153,822**	**85,718**	**97,703**	**101,538**	**92,569**	**84,770**	**70,929**	**55,243**	**39,557**
COGS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Profit	**22,763**	**41,882**	**41,706**	**32,359**	**34,000**	**153,822**	**85,718**	**97,703**	**101,538**	**92,569**	**84,770**	**70,929**	**55,243**	**39,557**
R&D	9,716	11,547	15,115	23,877	41,571	21,484	11,226	11,451	11,680	11,913	12,152	12,395	12,642	12,895
SG&A	6,105	5,036	5,302	5,950	6,208	7,238	7,383	7,530	7,681	7,834	7,991	8,151	8,314	8,480
Total Operating Expenses	**15,821**	**16,583**	**20,417**	29,827	**47,779**	**28,722**	**18,609**	**18,981**	**19,361**	**19,748**	**20,143**	**20,546**	**20,956**	**21,376**
Operating Income/(Loss)	**6,942**	**25,299**	**21,289**	**2,532**	**(13,779)**	**125,100**	**67,109**	**78,722**	**82,177**	**72,822**	**64,627**	**50,384**	**34,287**	**18,182**
Interest Income	14	83	118	200	177	365	515	649	797	935	1,058	1,159	1,233	1,280
Interest Expense	0	(3,161)	0	(37)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)
Other Income/(Expense)	791	1,089	(8)	20	0	0	0	0	0	0	0	0	0	0
Total Other Income/(Expense)	805	(1,989)	110	183	137	325	475	609	757	895	1,018	1,119	1,193	1,240
Pre-Tax Profit/(Loss)	**7,747**	**23,310**	**21,399**	**2,715**	**(13,642)**	**125,425**	**67,584**	**79,331**	**82,934**	**73,716**	**65,644**	**51,502**	**35,480**	**19,422**
Provision/(Benefit) for Income Taxes	(157)	0	0	0	0	21,425	16,896	19,833	20,734	18,429	16,411	12,876	8,870	4,855
Effective Tax Rate	-	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*17.1%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*
Net Income/(Loss)	**7,904**	**23,310**	**21,399**	**2,715**	**(13,642)**	**104,000**	**50,688**	**59,498**	**62,201**	**55,287**	**49,233**	**38,627**	**26,610**	**14,566**
GAAP Basic EPS			$1.68	$0.17	($0.78)	$5.78	$2.74	$3.14	$3.20	$2.78	$2.42	$1.85	$1.25	$0.67
GAAP Diluted EPS			$1.51	$0.17	($0.78)	$4.24	$2.03	$2.35	$2.41	$2.11	$1.85	$1.43	$0.97	$0.52
Basic Shares Outstanding			12,746	15,874	17,493	17,982	18,467	18,948	19,425	19,899	20,370	20,837	21,302	21,764
Diluted Shares Outstanding			14,132	16,244	17,493	24,506	24,934	25,362	25,790	26,217	26,644	27,071	27,498	27,924

Source: Enanta, Credit Suisse estimates.

Exhibit 4: Enanta Balance Sheet

ENTA Balance Sheet (In '000s) *(Year Ended September 30)*	2010A	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
ASSETS														
Current Assets														
Cash & Cash Equivalents	466	6,837	10,511	72,723	62,004	143,710	209,028	267,300	331,701	391,405	444,931	488,931	521,288	541,668
Short-Term Marketable Securities	0	16,492	33,251	13,251	13,251	13,251	13,251	13,251	13,251	13,251	13,251	13,251	13,251	13,251
Accounts Receivable	10	261	1,049	887	932	12,643	7,045	8,030	8,346	7,608	6,967	5,830	4,541	3,251
Unbilled Receivables	0	0	1,893	1,456	1,360	4,615	1,714	1,954	2,031	1,851	1,695	1,419	1,105	791
Restricted Cash	0	1,140	0	0	0	0	0	0	0	0	0	0	0	0
Prepaid Expenses & Other Current Assets	96	369	604	485	510	2,307	1,286	1,466	1,523	1,389	1,272	1,064	829	593
Total Current Assets	**572**	**25,099**	**47,308**	**88,803**	**78,056**	**176,526**	**232,324**	**292,001**	**356,851**	**415,504**	**468,117**	**510,494**	**541,013**	**559,555**
Property & Equipment, Net	590	534	611	892	1,318	1,690	2,019	2,315	2,587	2,842	3,084	3,318	3,548	3,777
Long-Term Marketable Securities	0	0	1,656	1,656	1,656	1,656	1,656	1,656	1,656	1,656	1,656	1,656	1,656	1,656
Restricted Cash	1,140	436	436	436	436	0	0	0	0	0	0	0	0	0
Other Assets	110	27	2,151	1,618	1,700	7,691	4,286	4,885	5,077	4,628	4,238	3,546	2,762	1,978
Total Assets	**2,412**	**26,096**	**52,162**	**93,404**	**83,167**	**187,563**	**240,285**	**300,857**	**366,171**	**424,630**	**477,095**	**519,014**	**548,980**	**566,965**
LIABILITIES														
Current Liabilities														
Accounts Payable	508	566	1,851	2,749	4,448	2,132	1,296	1,322	1,349	1,376	1,403	1,431	1,460	1,489
Accrued Expenses	3,059	1,583	3,866	287	464	259	158	161	164	167	171	174	178	181
Deferred Revenue	432	0	17	17	17	17	17	17	17	17	17	17	17	17
Total Current Liabilities	**3,999**	**2,149**	**5,734**	**3,053**	**4,929**	**2,409**	**1,471**	**1,500**	**1,530**	**1,560**	**1,591**	**1,623**	**1,655**	**1,687**
Warrant Liability	27	1,993	1,981	1,981	1,981	1,981	1,981	0	0	0	0	0	0	0
Other Long-Term Liabilities	0	0	498	498	498	498	498	498	498	498	498	498	498	498
Total Liabilities	**4,026**	**4,142**	**8,213**	**5,532**	**7,408**	**4,888**	**3,950**	**1,998**	**2,028**	**2,058**	**2,089**	**2,121**	**2,153**	**2,185**
SHAREHOLDER'S EQUITY														
Common Stock	52	53	560	170	175	180	185	189	194	199	204	208	213	218
Additional Paid in Capital	0	0	158,800	220,488	222,011	224,923	227,889	230,911	233,989	237,126	240,322	243,578	246,897	250,278
Treasury Stock	(3)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)
Accumulated Other Comprehensive Loss	0	(1)	10	10	10	10	10	10	10	10	10	10	10	10
Accumulated Surplus/(Deficit)	(150,124)	(132,004)	(115,412)	(132,786)	(146,428)	(42,428)	8,260	67,758	129,959	185,246	234,479	273,106	299,716	314,283
Total Shareholders' Equity	**(150,075)**	**(131,961)**	**43,949**	**87,873**	**75,759**	**182,675**	**236,334**	**298,859**	**364,143**	**422,572**	**475,006**	**516,894**	**546,827**	**564,780**
Total Liabilities and Shareholders' Equity	**2,412**	**26,096**	**52,162**	**93,404**	**83,167**	**187,563**	**240,285**	**300,857**	**366,171**	**424,630**	**477,095**	**519,014**	**548,980**	**566,965**

Source: Enanta, Credit Suisse estimates.

Exhibit 5: Enanta Cash Flow Statement

ENTA Cash Flow Statement (In '000s) *(Year Ended September 30)*	2010A	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net Income/(Loss)	7,904	23,310	21,399	(17,374)	(13,642)	104,000	50,688	59,498	62,201	55,287	49,233	38,627	26,610	14,566
Adjustments:														
Depreciation & Amortization Expense	553	499	172	223	330	422	505	579	647	710	771	830	887	944
Non-Cash Interest Expense	0	2,059	0	0	0	0	0	0	0	0	0	0	0	0
Change in Fair Value of Warrant Liability	(482)	686	8	0	0	0	0	0	0	0	0	0	0	0
Gain on Embedded Derivative	0	(670)	0	0	0	0	0	0	0	0	0	0	0	0
Stock-Based Compensation Expense	259	225	424	1,158	1,390	2,780	2,835	2,892	2,950	3,009	3,069	3,130	3,193	3,257
(Gain)/Loss on Disposal of Property & Equipment	2	(7)	(63)	0	0	0	0	0	0	0	0	0	0	0
Amortization of Premium on Marketable Securities	0	317	590	0	0	0	0	0	0	0	0	0	0	0
Change in Operating Assets and Liabilities:														
Accounts Receivable	(6)	(251)	(788)	162	(45)	(11,711)	5,598	(985)	(315)	737	641	1,138	1,289	1,289
Unbilled Receivables	0	0	(1,893)	437	96	(3,255)	2,900	(240)	(77)	179	156	277	314	314
Prepaid Expenses & Other Current Assets	65	(273)	(235)	119	(25)	(1,797)	1,022	(180)	(58)	135	117	208	235	235
Accounts Payable	181	58	763	898	1,699	(2,316)	(836)	26	26	27	28	28	29	29
Accrued Expenses	1,765	(1,120)	1,726	(3,579)	177	(204)	(102)	3	3	3	3	3	3	4
Other Long-Term Liabilities	(275)	(356)	498	0	0	0	0	0	0	0	0	0	0	0
Deferred Revenue	(20,036)	(432)	17	0	0	0	0	0	0	0	0	0	0	0
Other Assets	(105)	(26)	5	533	(82)	(5,991)	3,405	(599)	(192)	448	390	692	784	784
Cash from Operating Activities	**(10,175)**	**24,019**	**22,623**	**(17,423)**	**(10,102)**	**81,927**	**66,015**	**60,994**	**65,186**	**60,536**	**54,408**	**44,932**	**33,345**	**21,423**
Purchases of Property, Plant, & Equipment	(37)	(445)	(252)	(504)	(756)	(794)	(833)	(875)	(919)	(965)	(1,013)	(1,064)	(1,117)	(1,173)
Proceeds from Sales of Property and Equipment	0	9	66	0	0	0	0	0	0	0	0	0	0	0
Purchases of Marketable Securities	(603)	(33,574)	(47,694)	0	0	0	0	0	0	0	0	0	0	0
Sales of Marketable Securities	2,303	16,764	15,750	20,000	0	0	0	0	0	0	0	0	0	0
Maturities of Marketable Securities	0	0	12,950	0	0	0	0	0	0	0	0	0	0	0
Change in Restricted Cash	0	(436)	1,140	0	0	436	0	0	0	0	0	0	0	0
Cash from Investing Activities	**1,663**	**(17,682)**	**(18,040)**	**19,496**	**(756)**	**(358)**	**(833)**	**(875)**	**(919)**	**(965)**	**(1,013)**	**(1,064)**	**(1,117)**	**(1,173)**
Proceeds from Issuance of Convertible Notes	0	2,000	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of Convertible Notes	0	(2,000)	0	0	0	0	0	0	0	0	0	0	0	0
Payments of Capital Lease Obligations	(7)	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Exercise of Stock Options	15	34	141	140	138	137	136	135	134	133	132	131	130	129
Proceeds/(Payments) of Initial Public Offering	0	0	(1,050)	60,000	0	0	0	0	0	0	0	0	0	0
Other Proceeds/(Payments)	0	0	0	0	0	0	0	(1,981)	0	0	0	0	0	0
Cash from Financing Activities	**8**	**34**	**(909)**	**60,140**	**138**	**137**	**136**	**(1,846)**	**134**	**133**	**132**	**131**	**130**	**129**
Net Change in Cash & Cash Equivalents	**(8,504)**	**6,371**	**3,674**	**62,212**	**(10,719)**	**81,706**	**65,317**	**58,273**	**64,401**	**59,704**	**53,527**	**43,999**	**32,358**	**20,379**
Free Cash Flow to Equity														
Net Income				(17,374)	(13,642)	104,000	50,688	59,498	62,201	55,287	49,233	38,627	26,610	14,566
Add: Non-Cash items				1,381	1,719	3,202	3,340	3,471	3,597	3,719	3,840	3,960	4,080	4,201
Add: Increase in Current Liabilities				(2,681)	1,876	(2,521)	(937)	29	30	30	31	31	32	33
Subtract: Increase in Current Assets				1,251	(55)	(22,755)	12,925	(2,004)	(641)	1,499	1,304	2,314	2,623	2,623
Subtract: Capital Expenditures				(504)	(756)	(794)	(833)	(875)	(919)	(965)	(1,013)	(1,064)	(1,117)	(1,173)
FCFF				(17,927)	(10,858)	81,133	65,182	60,119	64,267	59,571	53,395	43,868	32,228	20,250
Add/Subtract: Debt Issuance/Payment														
FCFE				(17,927)	(10,858)	81,133	65,182	60,119	64,267	59,571	53,395	43,868	32,228	20,250

Source: Enanta, Credit Suisse estimates.

Exhibit 6: **Enanta (ENTA): Our assumptions and reason to buy the stock to $29**

Enanta (ENTA): Our assumptions and reason to buy the stock to $29

1. HCV is currently a $5bn market served by less than ideal standard of care regimes - currently 150k patents/year treated (out of 9M)
2. There is huge wall street debate on how big this market will grow to when "next generation" all orals launched (2015)
3. Even taking very conservative assumptions we get to $13bn/year for at least 2023 (300k/year)
4. We absolutely concede Gilead's Sofosbuvir-based regimen will get majority market share, and other regimes in PII will also garner significant market share
5. For ABT-450/r-based regimen - we assume a peak of 20% market share by 2017, declining to 0% by 2024!
6. We assume no value for (1) ABT-450/r-based regimen after 2024 (2) Any of the pipeline, including 2nd generation PI
7. Assume 12-18% tiered royalty on 450 contribution (i.e. 4-5% royalty on total ABT-450/r-based regimen) and $195m milestones.
8. Discounting back corporate cash flows (and adding back R&D spend and cash) get us to $29 TP. Just discount $195m milestones and current cash get us to *ca*$14/share
9. We see significant upside potential!

Sources: AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Enanta (ENTA): Investment Highlights

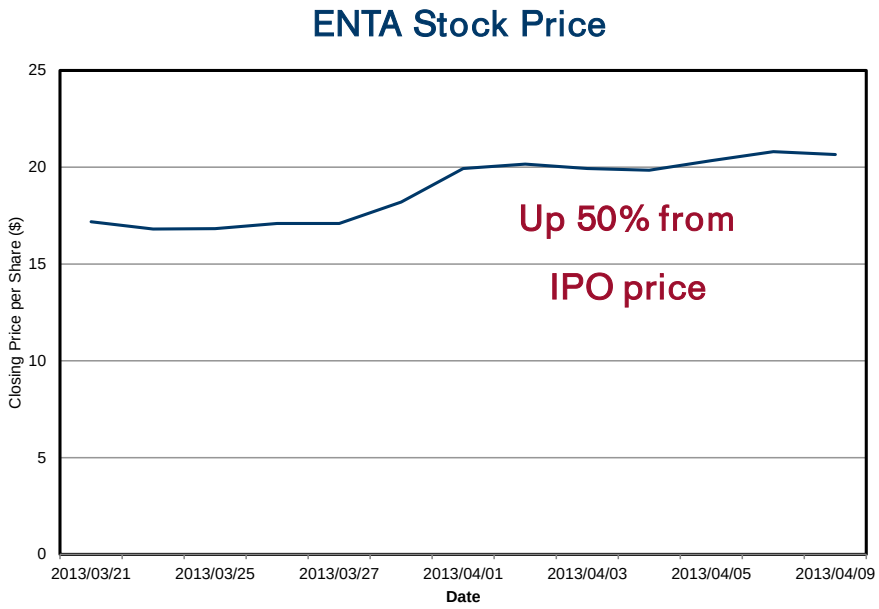
- Biopharmaceutical company founded in 1995 and based in Watertown, MA
- Specializes in developing novel agents for treatment of HCV, MRSA, and other infectious diseases
- Lead pipeline compound, ABT-450, is partnered with AbbVie and just entered PIII trials
- Derisked clinically to some degree following positive PII data
  - ABT-450/r regimens had high cure rates and generally good safety/tolerability
- Expecting pivotal PIII SAPPHIRE I/II data readouts on a ABT-450/r-based combo in H2'13, most likely at the AASLD Conference
- HCV market could be huge, potentially hitting ~$13B in worldwide sales by 2020
- Partnered with high-quality companies such as AbbVie and Novartis

Sources: AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

ENTA Management and Investors

- Led by management team with strong biopharma experience:
  - Jay R. Luly PhD, President and CEO
  - Yat Sun Or PhD, SVP R&D and CSO
  - Paul J. Mellett, SVP Finance & Administration, CFO
- IPO Summary
  - Priced at $14/share (range $14-$16) 21st March
  - Closed at $17.81 21/3 & currently at $19.68 (+42%)
  - Credit Suisse TP $29 (+50%)
- VC investors include: Saints Capital, Advent International, BioVentures Investors, Oxford Bioscience Partners, Remy Investors, Wheatley MedTech Partners, TVM Capital, HBM Partners, Alpha Associates (Private Equity Holding), Alpinvest Partners, Omega Funds, Abbott, Shionogi
- Current partners include: AbbVie, Novartis, and NIAID



Sources: Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Exhibit 9: **Enanta's Pipeline**

Enanta's Pipeline

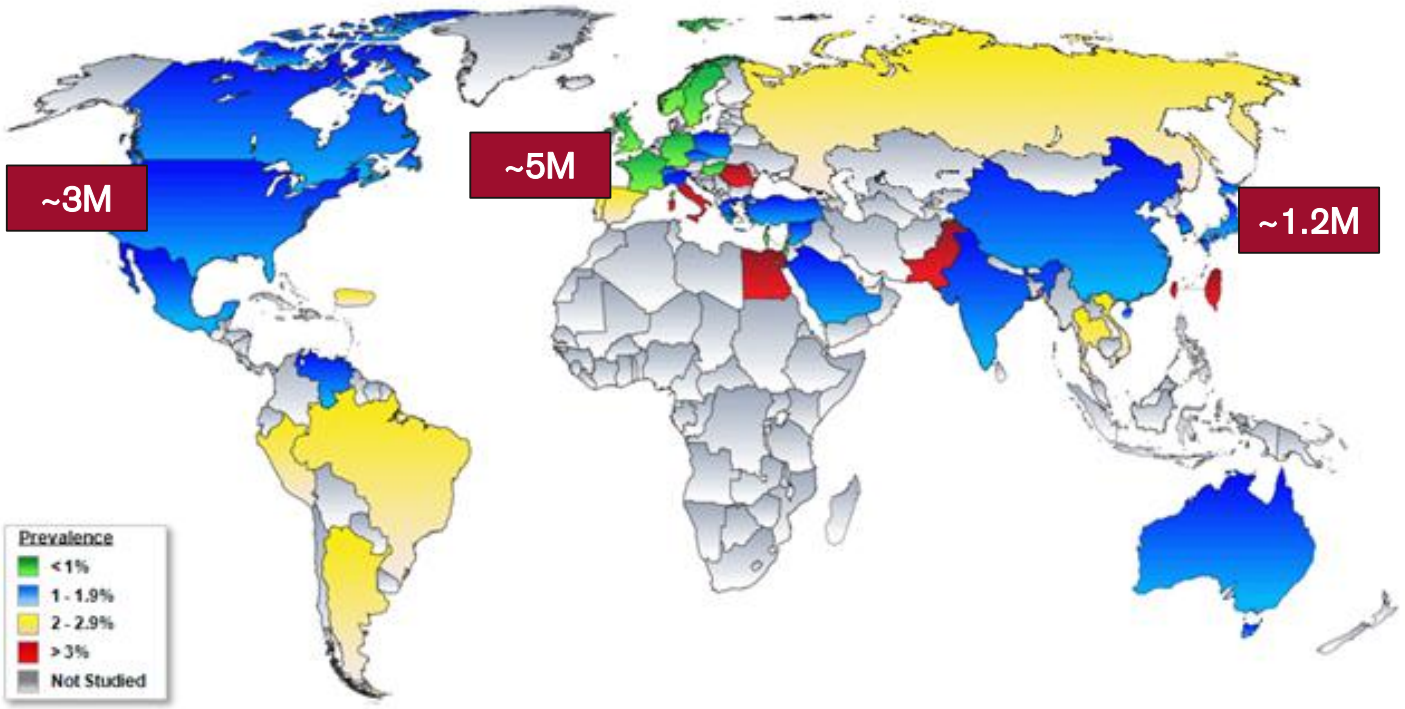
		Target Indications	Partners	Current Status	Highlights
Clinical Stage	ABT-450 Protease Inhibitor	▪ HCV G1 Naïve and Experienced ▪ Special Populations in HCV	▪ AbbVie	▪ Pivotal PIII trials are currently underway ▪ Expecting PIII data in 2013	▪ Major near-term valuation driver ▪ Potentially better efficacy and safety (vs. SOC)
	Next-Gen Protease Inhibitor	▪ HCV	▪ AbbVie	▪ PI trial initiated by AbbVie in Nov 2012	▪ Designed to be QD without Ritonavir
	EDP-239 NS5A Inhibitor	▪ HCV	▪ Novartis	▪ PI trial initiated by Novartis in Nov 2012	▪ Showed high potency in preclinical studies
Preclinical Stage	EDP-546 Cyclophilin Inhibitor	▪ HCV	▪ None	▪ Plans to start PI trial in H1'14	▪ Showed promising effects in preclinical studies
	EDP-788 Bicyclolide Antibiotic	▪ MRSA	▪ NIAID	▪ Plans to start PI trial in H1'14	▪ Showed promising effects in preclinical studies
	Nuc Candidate NS5B "Nuc" Inhibitor	▪ HCV	▪ None	▪ Plans to select preclinical candidate in 2013	▪ Potential to match or improve on Gilead's Sofosbuvir

Sources:AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Exhibit 10: **HCV: 150 million are chronically infected worldwide**

HCV: 150 million are chronically infected worldwide



- ~9 million are chronically infected with HCV in the U.S., EU, and Japan

Sources:AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Exhibit 11: **HCV is a "silent" epidemic**

HCV is a "silent" epidemic

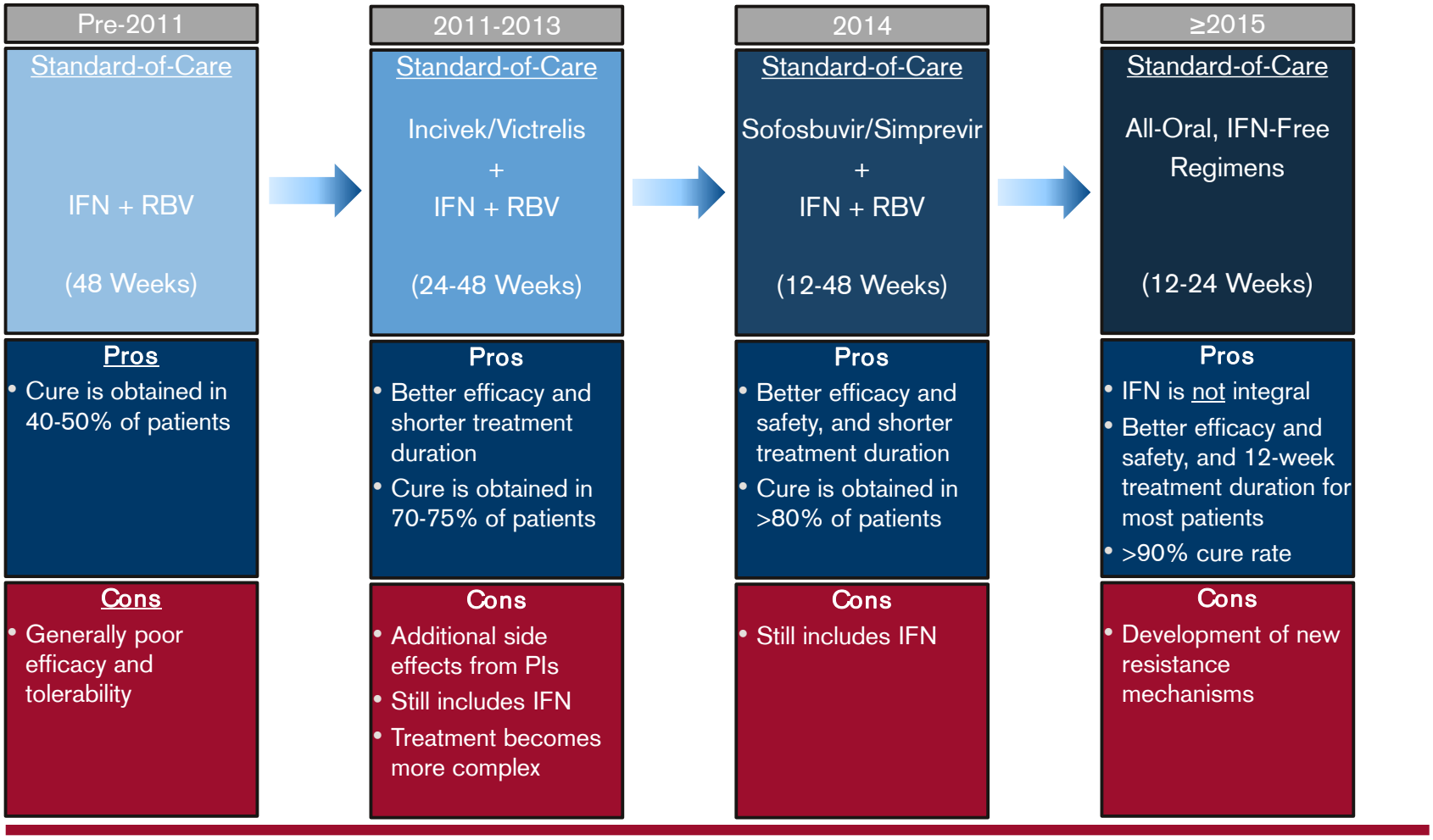
- Large majority (~75%) of chronic HCV-infected have not been diagnosed yet
  - In the U.S., high proportion were infected in 1960s-1970s due to recreational injection drug use
- Current infection rates in the developed world are low (e.g. 19K annually in the U.S.)
- Liver disease caused by infection from the Hepatitis C Virus
  - 6 major genotypes (G1-G6) with multiple subtypes
  - Transmitted via sexual intercourse, blood transfusions, shared needles in intravenous drug use, hemodialysis, and hospital needle sticks
  - 75%-80% of HCV infections become chronic (i.e. "life-long")
  - Symptoms could remain dormant for up to 20 years
  - Potentially leads to development of liver cirrhosis (i.e. scarring) and/or liver cancer
- G1 accounts for large portion of chronic HCV-infected in U.S., Europe, and Japan
  - 75% in U.S., Japan, and Europe are G1
- Chronic HCV is a "cure" market
  - Goal is to reduce HCV to "undetectable" levels
  - Patients only remain on treatment for a finite period of time

Sources:AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Exhibit 12: **Standard-of-care in HCV is evolving quickly towards all-oral, interferon-free regimens as early as 2015**

Standard-of-care in HCV is evolving quickly towards all-oral, interferon-free regimens as early as 2015



Source: Credit Suisse research.

Exhibit 13: **ABT-450 is ENTA's lead pipeline compound and the central component of AbbVie's all-oral, interferon-free regimens**

ABT-450 is ENTA's lead pipeline compound and the central component to AbbVie's all-oral, interferon-free regimens

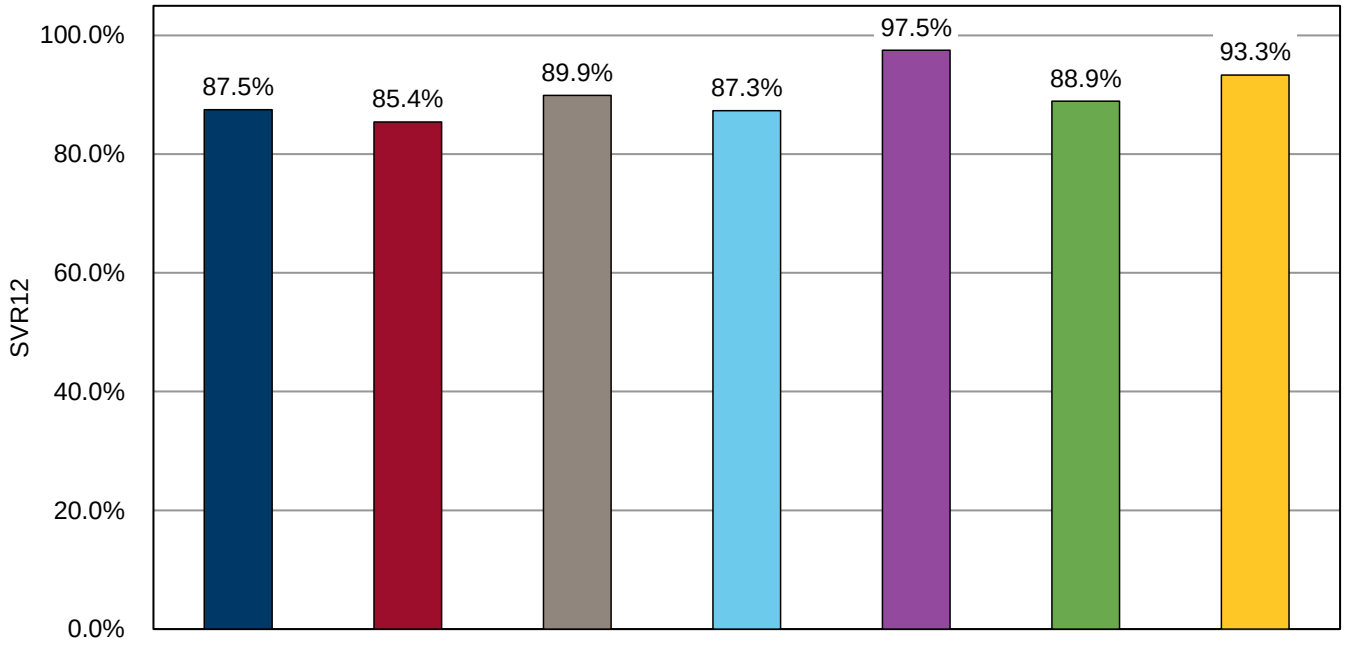
- Next-generation direct-acting antiviral (DAAs)
- HCV NS3 protease inhibitor (PI) boosted with Ritonavir
- Partnered with AbbVie through research collaboration since Dec 2006
  - Terms include: $57M upfront payment; $250M+ milestones; tiered, double-digit royalties; AbbVie funds all clinical development, manufacturing, and commercial activities
  - Deal also applies to follow-on PIs; Enanta holds option to fund 40% of development and commercialization costs in the U.S. for 40% of the profits in the U.S. on future PIs
- Patents will expire between 2023 and 2031 (not accounting for term extensions). Most likely to at least 2029.
- Key component of AbbVie's all-oral, interferon-free regimens for treatment of HCV
  - ABT-450/r-based combos showed high SVR (i.e. cures) in PII PILOT, CO-PILOT, and AVIATOR trials
  - Studying ABT-450/r with ABT-267 (NS5A inhibitor) and ABT-333 (non-nuc inhibitor) with and without Ribavirin (RBV) in PIII trials
  - Targeting genotype 1 (G1) treatment naïve and experienced patients and "special" populations
  - Expecting PIII data in 2013 and launch in the U.S. and EU in 2015

Sources:AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Exhibit 14: **ABT-450/r-based regimens produced high cure rates in G1 Naïves and Nulls in the PII AVIATOR trial**

ABT-450/r-based regimens produced high cure rates in G1 Naïves and Nulls in the PII AVIATOR trial



Patient Type	G1 Naïve	G1 Naïve	G1 Naïve	G1 Naïve	G1 Naïve	G1 Nulls	G1 Nulls
Duration	8 weeks	12 weeks	12 weeks	12 weeks	12 weeks	12 weeks	12 weeks
Regimen	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r
	ABT-267		ABT-267	ABT-267	ABT-267	ABT-267	ABT-267
	ABT-333	ABT-333		ABT-333	ABT-333		ABT-333
	RBV	RBV	RBV		RBV	RBV	RBV

*Intent to Treat (ITT)

Sources:AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Exhibit 15: **All-Oral, Interferon-Free Regimen: PIII Program Overview – readout & NDA filing due in 2014 – Launch early 2015 possible**

All-Oral, Interferon-Free Regimen: PIII Program Overview – readout & NDA filing due in 2014 – Launch early 2015 possible

(ABT-450/r + ABT-267) QD + ABT-333 BID + RBV		
SAPPHIRE I (N = 600)	• G1a/G1b Treatment Naïve • 150mg ABT-450, 25mg ABT-267, 250mg ABT-333	• Placebo-controlled • 12-week treatment duration
SAPPHIRE II (N = 400)	• G1a/G1b Treatment Experienced	• Placebo-controlled • 12-week treatment duration
(ABT-450/r + ABT-267) QD + ABT-333 BID +/- RBV		
PEARL II (N = 200)	• G1b Treatment Experienced	• 12-week treatment duration
PEARL III (N = 400)	• G1b Treatment Naïve • 150mg ABT-450, 25mg ABT-267, 250mg ABT-333	• 12-week treatment duration
PEARL IV (N = 300)	• G1a Treatment Naïve	• Placebo-controlled
(ABT-450/r + ABT-267) QD + ABT-333 BID + RBV		
TURQUOISE I (N = 300)	• HIV-HCV co-infected, G1a/G1b Treatment Naïve and Experienced	• 12 to 24-week treatment durations
TURQUOISE II (N = 300)	• Compensated cirrhotic, G1a/G1b Treatment Naïve and Experienced	• 12 to 24-week treatment durations

ABT-450/r/ABT-267 will be coformulated into two tablets (QD) + two tablets of ABT 333 (BID) +/- RBV

Sources:AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

HCV Competitive Landscape

- Gilead's Sofosbuvir-based regimen is the primary competitor against AbbVie's/Enanta's ABT-450/r-based combination
  - Expect PIII data from both regimens in H1 2014
  - Expecting both regimens to hit the market by 2015
- Expecting Gilead's Sofosbuvir-based combination to capture majority of market share
  - Showed comparable efficacy and better safety/tolerability
  - More convenient, as Gilead will likely have a once-daily, single tablet regimen whereas AbbVie's/Enanta's will likely have a twice-daily, four-tablet regimen
- Other companies could enter the market slightly after AbbVie/Enanta and Gilead including Bristol Myers Squibb, J&J/Medivir, Vertex, Achillion, Idenix, GSK, and Merck
  - Expecting PII data on several combos from these companies to read out in 2013 (see next slide)
- Key sensitivity for all HCV players though remains the size of this market

Sources:AbbVie, Enanta, Gilead, Credit Suisse research

Source: AbbVie, Enanta, Gilead, Credit Suisse research.

Exhibit 17: **Several Phase II all-oral, interferon-free combinations from competitors are expected to readout in 2013**

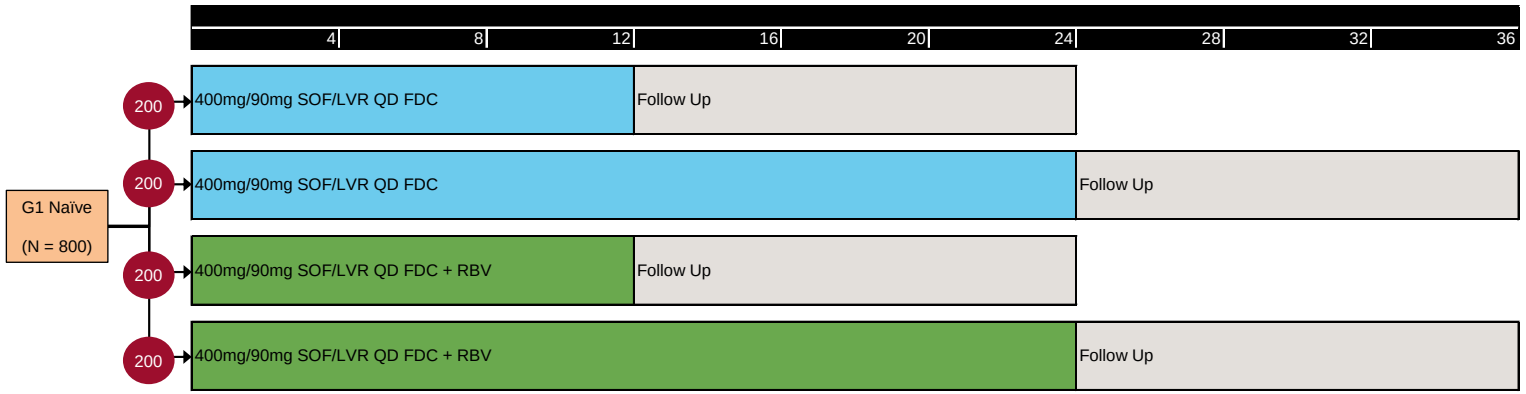
Several Phase II all-oral, interferon-free combinations from competitors are expected to readout in 2013

Combination	Company	Patient Population	Readout
ACH-3102 + RBV	Achillion	G1b	▪ Mid-2013
ACH-1625 + ACH-3102 + RBV	Achillion	G1	▪ H2'13
TMC647 + TMC435 +/- RBV	J&J/Medivir	G1	▪ H2'13
TMC647 + TMC435 + IDX719 +/- RBV	J&J/Medivir Idenix	G1	▪ H2'13
TMC435 + Daclatasvir +/- RBV	J&J/Medivir BMS	G1	▪ Mid-2013
TMC-435 + VX-135 +/- RBV	J&J/Medivir Vertex	G1	▪ H2'13
VX-135 + GSK'805 +/- RBV	GSK Vertex	G1	▪ H2'13
VX-135 + Daclatasvir +/- RBV	Vertex BMS	G1	▪ H2'13

Sources:AbbVie, Achillion, Boehringer Ingelheim, Enanta, Idenix, Gilead, J&J, Medivir, Merck, Presidio, Vertex, Credit Suisse research

Source:AbbVie, Achillion, Boehringer Ingelheim, Enanta, Idenix, Gilead, J&J, Medivir, Merck, Presidio, Vertex, Credit Suisse research.

ION-1 Phase III Trial Design Summary



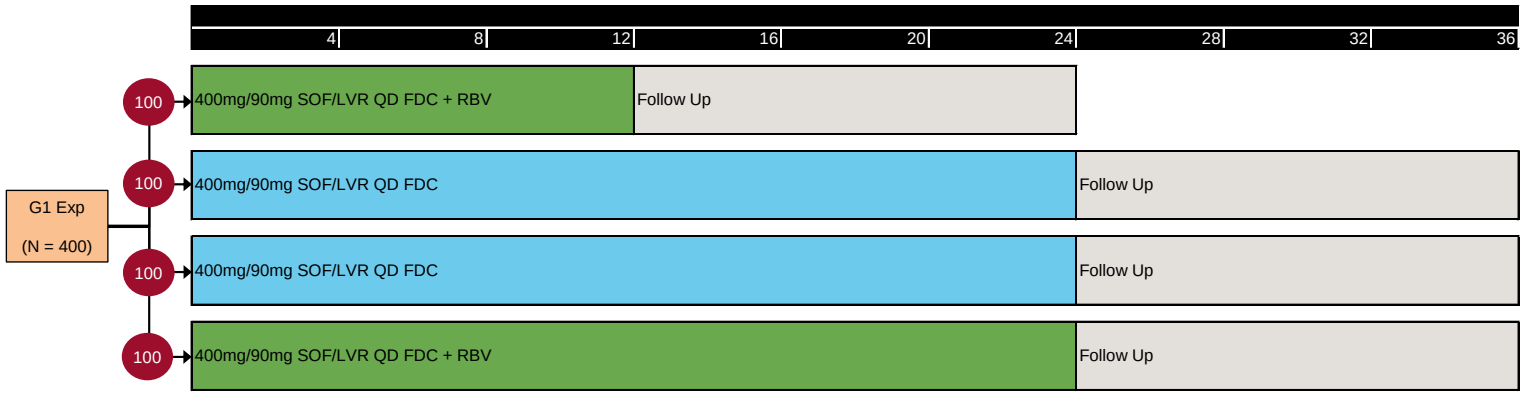
SOF: Sofosbuvir; LVR: Ledipasvir; RBV: Ribavirin
**RBV is dosed 1000 or 1200 mg/day divided BID*

Key Trial Design Parameters	
Compounds	▪ Sofosbuvir (Nucleotide Inhibitor), Ledipasvir (NS5A Inhibitor), Ribavirin
Patient Population	▪ G1 treatment-naïve ▪ Enrolled ≥20% cirrhotics
Primary Endpoint(s)	▪ SVR12 ▪ Safety/Tolerability
Secondary Endpoint(s)	▪ SVR4, SVR24 ▪ HCV RNA Kinetics, Viral Resistance, Pharmacokinetics
Readout	▪ Data is expected in Q2'14 ▪ On 3/26/2013, DSMB recommended that ION-1 continue based upon SVR4 rates exceeding the predefined threshold of 60% and absence of significant safety issues

Sources:www.clinicaltrials.gov, Gilead, Credit Suisse research

Source: www.clinicaltrials.gov, Gilead, Credit Suisse research.

ION-2 Phase III Trial Design Summary



SOF: Sofosbuvir; LVR: Ledipasvir; RBV: Ribavirin
**RBV is dosed 1000 or 1200 mg/day divided BID*

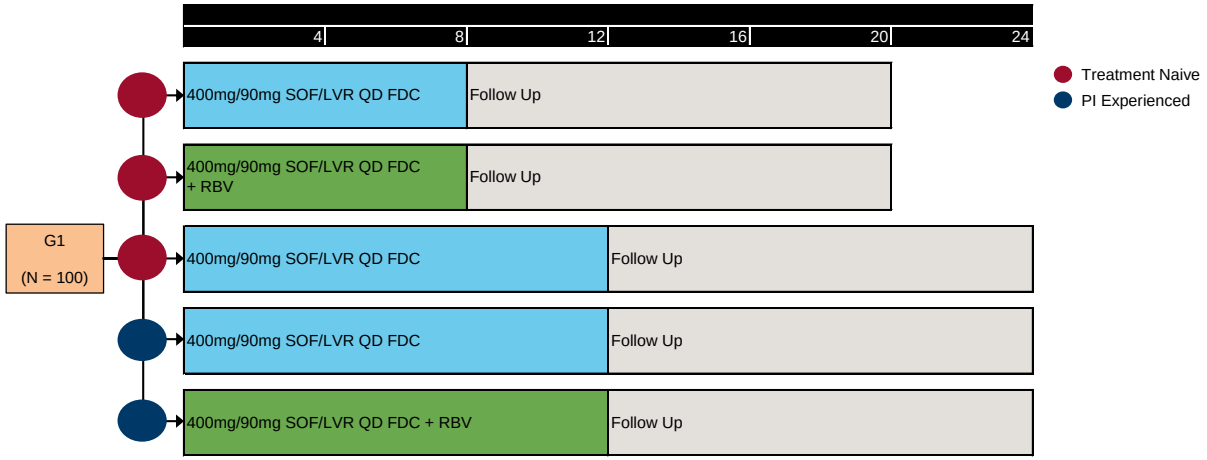
Key Trial Design Parameters	
Compounds	▪ Sofosbuvir (Nucleotide Inhibitor), Ledipasvir (NS5A Inhibitor), Ribavirin
Patient Population	▪ G1 treatment-experienced (failed on IFN or IFN + PI regimens) ▪ Plans to enroll ≥20% cirrhotic
Primary Endpoint(s)	▪ SVR12 ▪ Safety/Tolerability
Secondary Endpoint(s)	▪ SVR4, SVR24 ▪ HCV RNA Kinetics, Viral Resistance, Pharmacokinetics
Readout	▪ Data is expected in Q1'14 ▪ On 3/26/2013, GILD announced that ION-2 had been fully enrolled.

Sources:www.clinicaltrials.gov, Gilead, Credit Suisse research

Source: www.clinicaltrials.gov, Gilead, Credit Suisse research.

Exhibit 20: **LONESTAR PII Trial Design Summary**

LONESTAR Phase II Trial Design Summary



SOF: Sofosbuvir; LVR: Ledipasvir; RBV: Ribavirin
**RBV is dosed 1000 or 1200 mg/day divided BID*

Key Trial Design Parameters	
Compounds	▪ Sofosbuvir (Nucleotide Inhibitor), Ledipasvir (NS5A Inhibitor), Ribavirin
Patient Population	▪ G1 treatment-naïve ▪ G1 treatment-experienced (failed on PI-based regimens) ▪ Cirrhotics are allowed
Primary Endpoint(s)	▪ SVR12 ▪ Safety/Tolerability
Secondary Endpoint(s)	▪ SVR2, SVR4, SVR8, SVR24 ▪ Viral Resistance, Viral Dynamics, Pharmacokinetics
Readout	▪ Data from some arms are expected in Q2'13

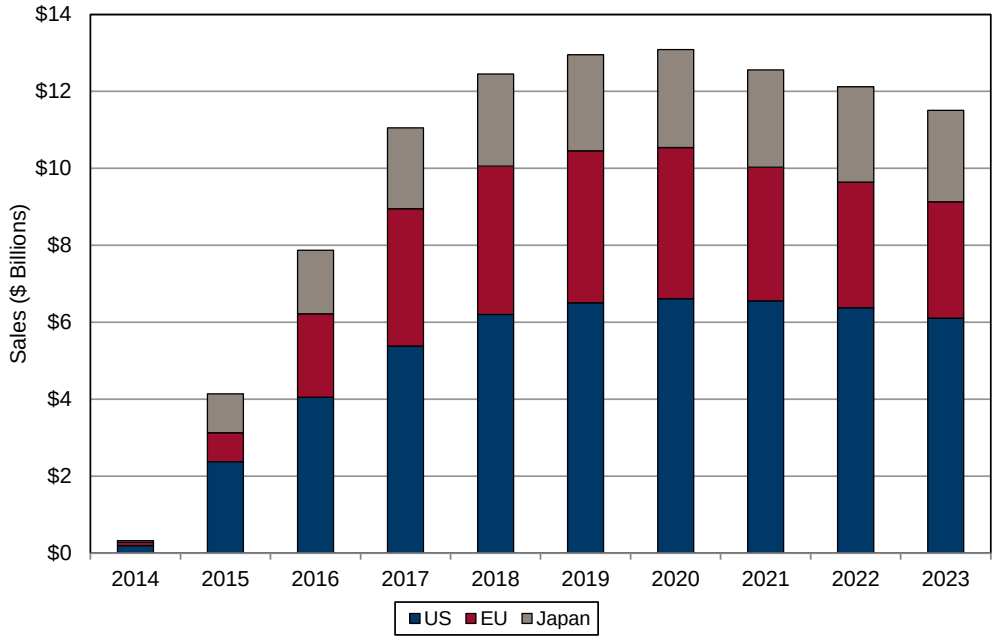
Sources:www.clinicaltrials.gov, Gilead, Credit Suisse research

Source: www.clinicaltrials.gov, Gilead, Credit Suisse research.

Exhibit 21: **All-Oral, Interferon-Free Regimens – WW Sales**

All-Oral, Interferon-Free Regimens – WW Sales

Market in 2012
- ~150K HCV patients are treated with standard-of-care in the U.S., EU, and Japan
- WW Sales: ~$5B



Market in 2020
- ~300K HCV patients are treated with standard-of-care in the U.S., EU, and Japan
- WW Sales: ~$13B

ABT-450/r	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sales ($M)	- - - - -	396	1,404	2,104	2,181	2,001	1,845	1569	1255	941
Market Share	- - - - -	12%	19%	20%	19%	17%	15%	13%	10%	8%

- AbbVie's/Enanta's ABT-450/r-based regimens is expected to capture ~20% of the market with WW peak sales of $2.2B by 2018

Sources:AbbVie, Enanta, Credit Suisse estimates

Source: AbbVie, Enanta, Credit Suisse estimates.

Exhibit 22: **ENTA Revenue Model**

ENTA Revenue Model

ENTA Revenue Model (In '000s)	2010A	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Dollars in thousands														
ABT-450/r-based Product	0	0	0	0	0	395,554	1,404,356	2,104,052	2,180,757	2,001,390	1,845,392	1,568,583	1,254,866	941,150
Sales Attributed to ABT-450	0	0	0	0	0	131,851	468,119	701,351	726,919	667,130	615,131	522,861	418,289	313,717
ABT-450 Royalty	0	0	0	0	0	15,822	62,718	97,703	101,538	92,569	84,770	70,929	55,243	39,557
Royalty Rate (% of ABT-450/r-based Product)	---	---	---	---	---	*4.0%*	*4.5%*	*4.6%*	*4.7%*	*4.6%*	*4.6%*	*4.5%*	*4.4%*	*4.2%*
Royalty Rate (% of Sales Attributed to ABT-450)	---	---	---	---	---	*12.0%*	*13.4%*	*13.9%*	*14.0%*	*13.9%*	*13.8%*	*13.6%*	*13.2%*	*12.6%*
Milestones	6,518	41,882	41,706	26,000	34,000	138,000	23,000	0	0	0	0	0	0	0
Other Revenues	16,245	0	0	6,359	0	0	0	0	0	0	0	0	0	0
Total Revenues	**22,763**	**41,882**	**41,706**	**32,359**	**34,000**	**153,822**	**85,718**	**97,703**	**101,538**	**92,570**	**84,770**	**70,929**	**55,243**	**39,558**

- ENTA's revenues consist of the following:
  - Royalties on sales attributed to ABT-450/r based on total sales of the ABT-450/r regimen
  - One-time payments from meeting clinical and regulatory and commercial regulatory milestones associated with ABT-450/r, next-generation PIs, and EDP-239
- Sales attributed to ABT-450/r is calculated by dividing sales for the ABT-450/r regimen by 3, the number of components in the combo
- Tiered royalty rate ranging from low double-digits up to 20%

Sources:AbbVie, Enanta, Credit Suisse estimates

Source: AbbVie, Enanta, Credit Suisse estimates.

Exhibit 23: **ENTA Valuation**

ENTA Valution

DCF Valuation (Corporate)	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Free Cash Flows to Equity			(10,858)	81,133	65,182	60,119	64,267	59,571	53,395	43,868	32,228	20,250
R&D Add Back			41,105	20,553	10,276	10,482	10,692	10,905	11,123	11,346	11,573	11,804
Cash Flows			30,248	101,686	75,458	70,601	74,958	70,477	64,519	55,214	43,801	32,054
PV of Cash Flow		0	28,296	86,476	58,337	49,620	47,893	40,936	34,069	26,505	19,114	12,717

PV of Cash Flows (2014-2034)	403,962
Net Cash (2013)	85,476
Shares Out	16,999
U.S. Value/Share	**$28.79**
Net Cash/Share	**$5.03**

- ENTA's cash flows come from
  - Royalties on sales attributed to ABT-450/r based on total sales of the ABT-450/r regimen
  - One-time payments from meeting clinical and regulatory and commercial regulatory milestones mainly associated with ABT-450/r
- Add R&D back given that R&D spend is being used on pipeline products that we currently do not model
- 10% discount rate
- Model out only to 2023 based on assumption that competition erodes ABT-450/r-based product market share

Sources:AbbVie, Enanta, Credit Suisse estimates

Source: AbbVie, Enanta, Credit Suisse estimates.

Exhibit 24: **Enanta's Other Clinical-Stage Pipeline Compounds**

Enanta's Other Clinical-Stage Pipeline Compounds

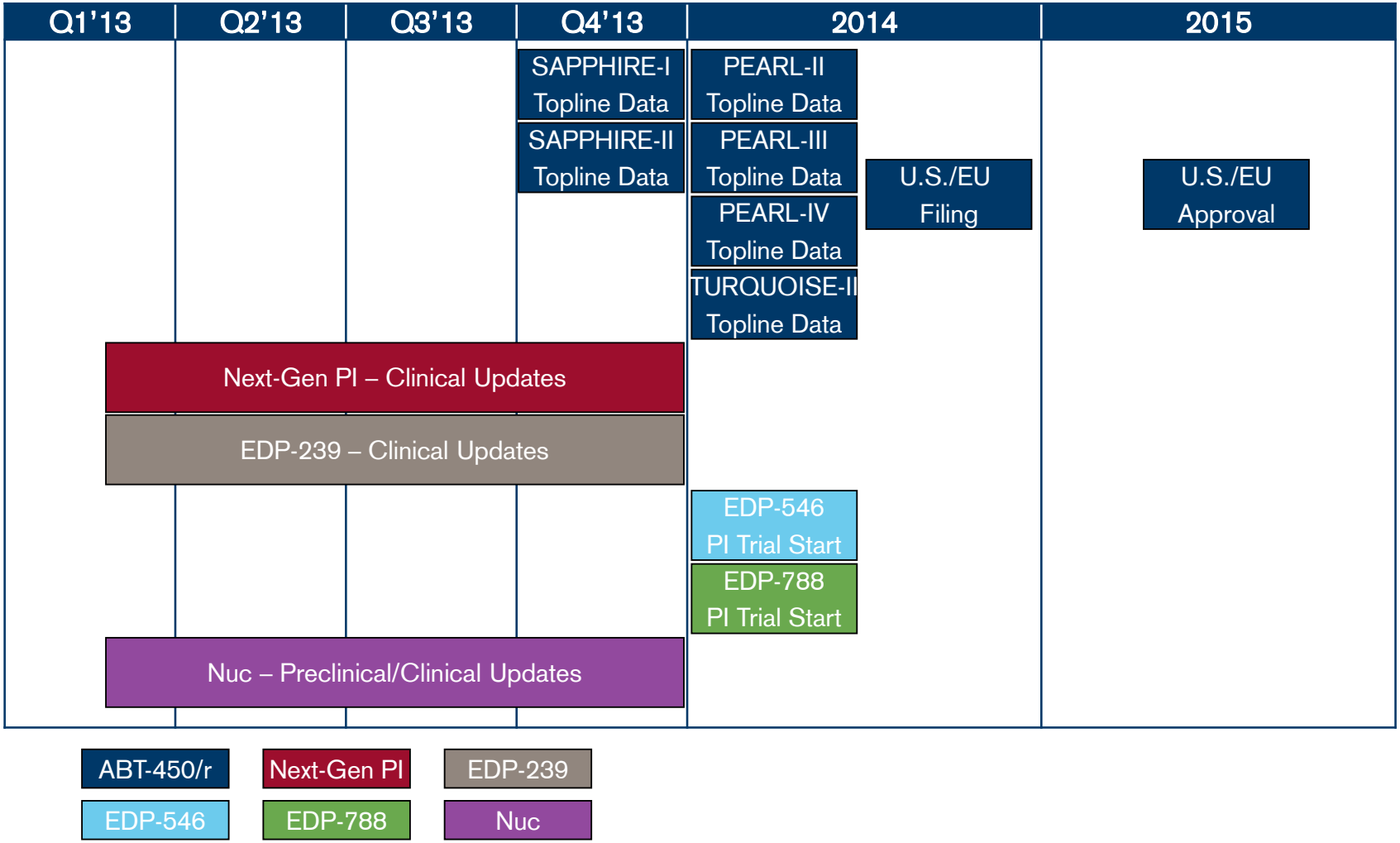
- Next-Gen PI
  - Designed to have once-daily dosing without Ritonavir
  - AbbVie started a PI trial on Nov 2012
  - Enanta holds option to fund 40% of development and commercialization costs in the U.S. for 40% of the profits in the U.S.
  - Could receive up to $80M in milestones
  - Key to AbbVie (and Enanta) in fending off follow-on HCV combos from potential competitors
- EDP-239 (NS5A Inhibitor)
  - Showed high potency in preclincial studies
  - Demonstrated antiviral activity across major genotypes and additivie to synergistic efficacy with other anti-HCV therapeutics
  - Signed a partnership deal with Novartis; Enanta is eligible to receive up to $406M in milestones and tiered double-digit royalties based on the EDP-239 proportion of EDP-239-containing combo

Sources:AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Exhibit 25: **Enanta's Near-Term Milestones**

Enanta's Near-Term Milestones



Sources: www.clinicaltrials.gov, AbbVie, Enanta, Credit Suisse research

Source: www.clinicaltrials.gov, AbbVie, Enanta, Credit Suisse research.

Exhibit 26: **Risk Factors**

Risk Factors

- ABT-450/r-based regimen is not approved or significantly delayed
  - Enanta is heavily dependent on the success of ABT-450/r. If Enanta fails to obtain regulatory approval for ABT-450/r, then their business will be materially harmed.
- ABT-450/r-based regimen does not demonstrate efficacy and safety expected from data on studies to date
  - Our assumptions are based on expectations regarding ABT-450/r's efficacy and safety. If ABT-450/r is shown to be less efficacious and safe than is expected, then our sales estimates for ABT-450/r could fall short of expectations.
- ABT-450/r-based regimen could underperform our expectations for the product launch ramp or peak sales
  - In modeling ABT-450/r, we have developed a patient-driven model to attempt to forecast the launch trajectory and peak sales. However, if any of the following parameters (i.e. pricing, treatment rate, average duration of therapy) are worse than our expectations, our sales estimates for ABT-450/r could be too high.
- Competition is more acute than we model
  - We currently assume that ABT-450/r-based regimen garners a peak 20% market share, with Gilead's Sofosbuvir-based regimen garnering around 50% market share and cumulatively "other" regimens 30% by 2017. In particular we note the large number of competitive regimes in PII development
- HCV market may not become as large as expected
  - We currently have projected a particular size of the HCV market based on a patient-driven model. If the number of projected patients seeking treatment is lower than projected, then the total HCV market could be significantly lower than forecasted.
  - We also assume a ca20% pricing discount for the ABT-450/r-based regimen (over Gilead's Sofosbuvir-based regime) – this could evolve to be bigger especially if we get numerous "other" regimen competition

Source: Credit Suisse research.

Management Biographies and Compensation

- Jay R. Luly PhD – President and CEO
  - Dr. July joined Enanta in July 2003. Previously, Dr. Luly was Entrepreneur-in-Residence at Oxford Biosciences, SVP of Research and Development Operations and SVP of Discovery Strategy and Operations at Millenium Pharmaceuticals, SVP of Drug Discovery and Preclinical Development at LeukoSite, various senior drug discovery positions at Abbott.
- Yat Sun Or PhD – SVP of Research & Development and CSO
  - Dr. Sun joined Enanta in 2000. Previously, Dr. Sun held major leadership positions at Abbott and was part of the drug discovery team at Schering-Plough.
- Paul J. Mellett – SVP of Finance & Administration and CFO
  - Mr. Mellett joined Enanta in 2003. Previously, Mr. Mellett was VP of Administration and CFO at GelTex, CFO of Marshall Contractors, Audit Partner at Deloitte and Touche.

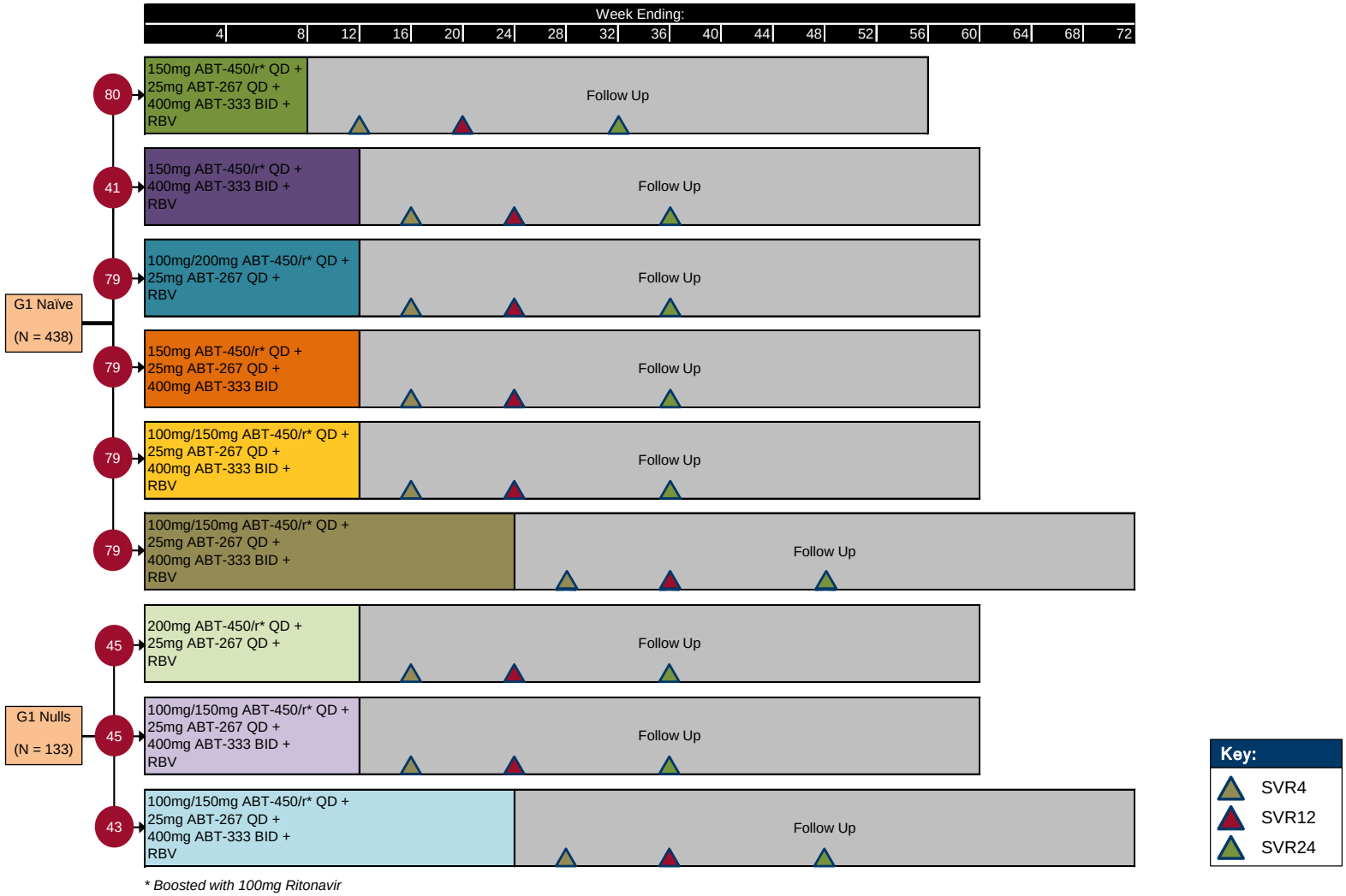
Compensation in 2013	Salary	Bonus	Option Awards	Other	Total
Jay R. Luly PhD President and CEO	$407,482	$213,914	$145,736	$4,439	$771,571
Yat Sun Or, PhD SVP of R&D and CSO	$321,415	$136,569	$143,705	$4,439	$606,127
Paull J. Mellett SVP of Finance & Administration and CFO	$284,168	$117,261	$54,651	$4,439	$460,519

Sources:AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research

Exhibit 28: **AVIATOR PII Trial Design Summary**

AVIATOR PII Trial Design Summary



** Boosted with 100mg Ritonavir*

Sources: www.clinicaltrials.gov, Abbvie, Enanta, Credit Suisse research

Source: www.clinicaltrials.gov, AbbVie, Enanta, Credit Suisse research.

Exhibit 29: **AVIATOR PII Trial Design Summary (cont.)**

AVIATOR PII Trial Design Summary (cont.)

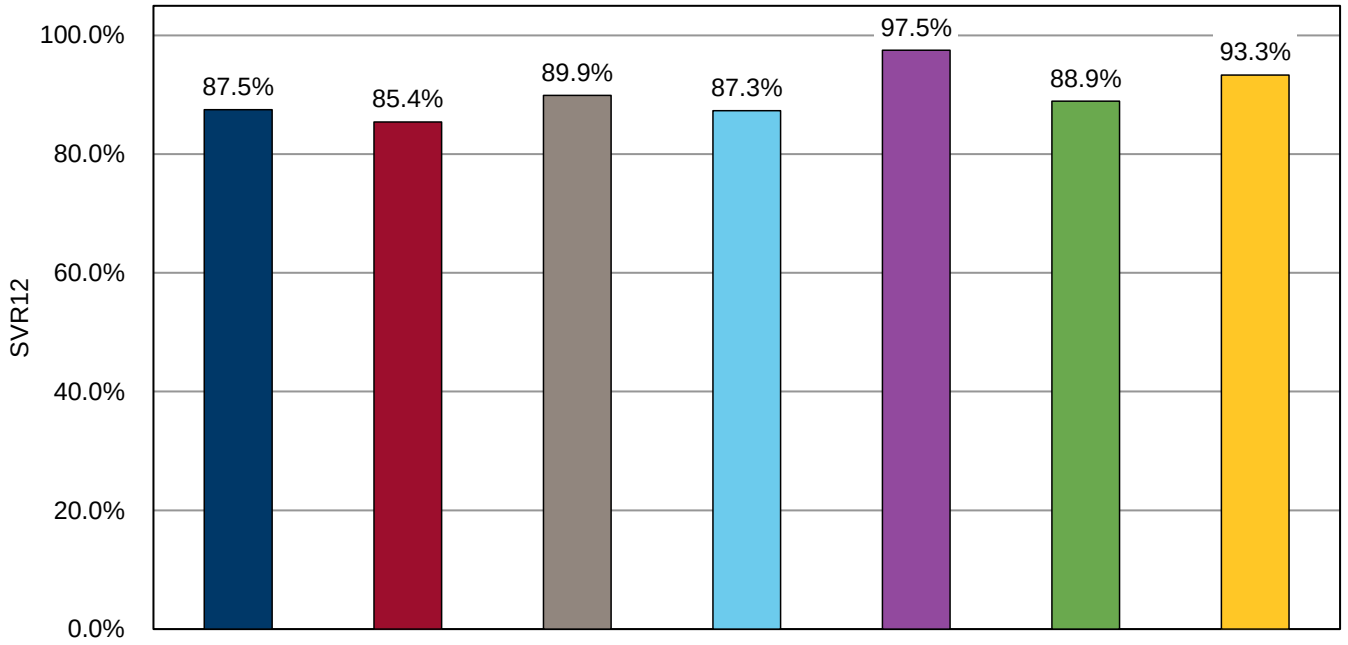
Key Trial Design Parameters	
Compounds	▪ ABT-450 (PI) ▪ ABT-267 (NS5A) ▪ ABT-333 (Non-Nuc)
Patient Population	▪ G1 treatment naïve ▪ G1 treatment experienced (prior null responders) ▪ No cirrhosis
Primary Endpoint(s)	▪ Safety and tolerability ▪ SVR24
Secondary Endpoint(s)	▪ Comparison of SVR24 between different treatment regimens ▪ Resistance profile
Readout	▪ Topline data was reported at the AASLD Meeting on November 9-13, 2012

Sources: www.clincaltrials.gov, Abbvie, Enanta, Credit Suisse research

Source: www.clinicaltrials.gov, AbbVie, Enanta, Credit Suisse research.

Exhibit 30: **ABT-450/r-based regimens produced high cure rates in G1 Naïves and Nulls in the PII AVIATOR trial**

ABT-450/r-based regimens produced high cure rates in G1 Naïves and Nulls in the PII AVIATOR trial



Patient Type	G1 Naïve	G1 Naïve	G1 Naïve	G1 Naïve	G1 Naïve	G1 Nulls	G1 Nulls
Duration	8 weeks	12 weeks	12 weeks	12 weeks	12 weeks	12 weeks	12 weeks
Regimen	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r
	ABT-267		ABT-267	ABT-267	ABT-267	ABT-267	ABT-267
	ABT-333	ABT-333		ABT-333	ABT-333		ABT-333
	RBV	RBV	RBV		RBV	RBV	RBV

*Intent to Treat (ITT)

Sources:AbbVie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Exhibit 31: **ABT-450/r-based combos generally had good safety profiles in G1 Naïves and Nulls in the PII AVIATOR trial**

ABT-450/r-based combos generally had good safety profiles in G1 Naïves and Nulls in the PII AVIATOR trial

	Arm 1	Arm 2	Arm 3	Arm 4	Arm 5	Arm 6	Arm 7
Patient Type	G1 Naïve	G1 Naïve	G1 Naïve	G1 Naïve	G1 Naïve	G1 Nulls	G1 Nulls
Duration	8 weeks	12 weeks	12 weeks	12 weeks	12 weeks	12 weeks	12 weeks
Regimen	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r	ABT-450/r
	ABT-267		ABT-267	ABT-267	ABT-267	ABT-267	ABT-267
	ABT-333	ABT-333		ABT-333	ABT-333		ABT-333
	RBV	RBV	RBV		RBV	RBV	RBV
Number of Patients	80	41	79	79	79	45	45
Any AE	25.0%	29.3%	17.7%	12.7%	24.1%	15.6%	24.4%
Fatigue	8.8%	4.9%	3.8%	0.0%	2.5%	2.2%	6.7%
Headache	3.8%	9.8%	3.8%	0.0%	1.3%	0.0%	2.2%
Insomnia	2.5%	2.4%	1.3%	0.0%	5.1%	2.2%	0.0%
Nausea	1.3%	4.9%	1.3%	0.0%	2.5%	0.0%	2.2%
Bilirubin Increase	0.0%	0.0%	1.3%	0.0%	2.5%	0.0%	0.0%

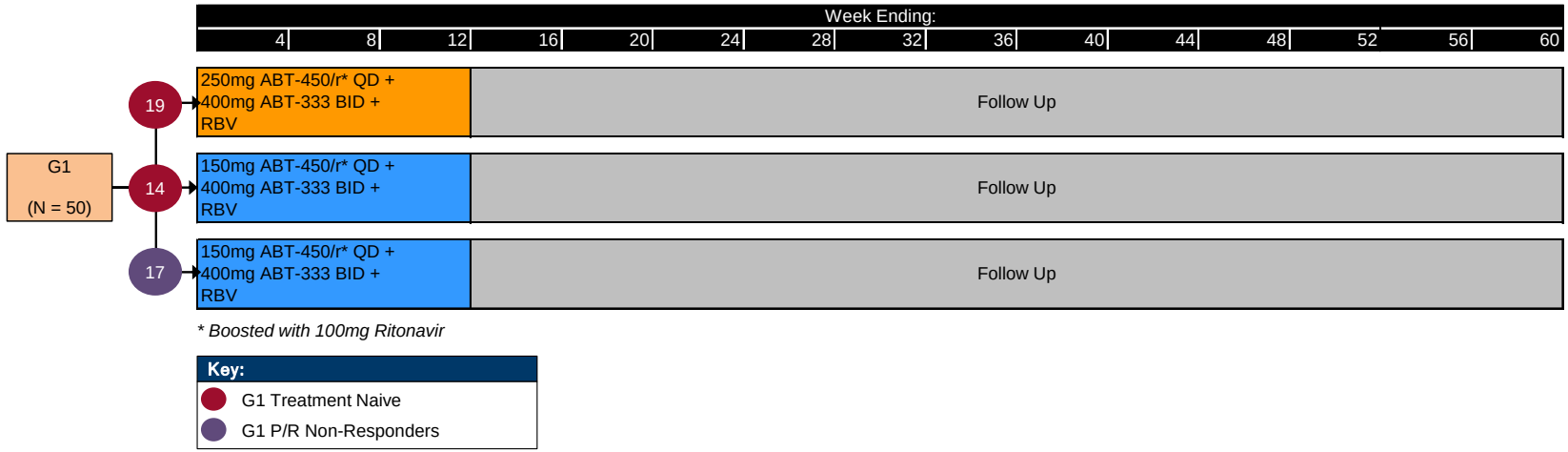
- Overall, ABT-450/r-based regimens had good safety/tolerability profiles
- The major safety/tolerability abnormality was an increase in total bilirubin, predominantly indirect bilirubin, (≥2x ULN) in 6.7% of treatment-naïves and 12.2% of null responders across all arms of the trial
- RBV-free combos had significantly lower decreases in hemoglobin levels

Sources:Abbvie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Exhibit 32: **CO-PILOT PII Trial Design**

CO-PILOT PII Trial Design



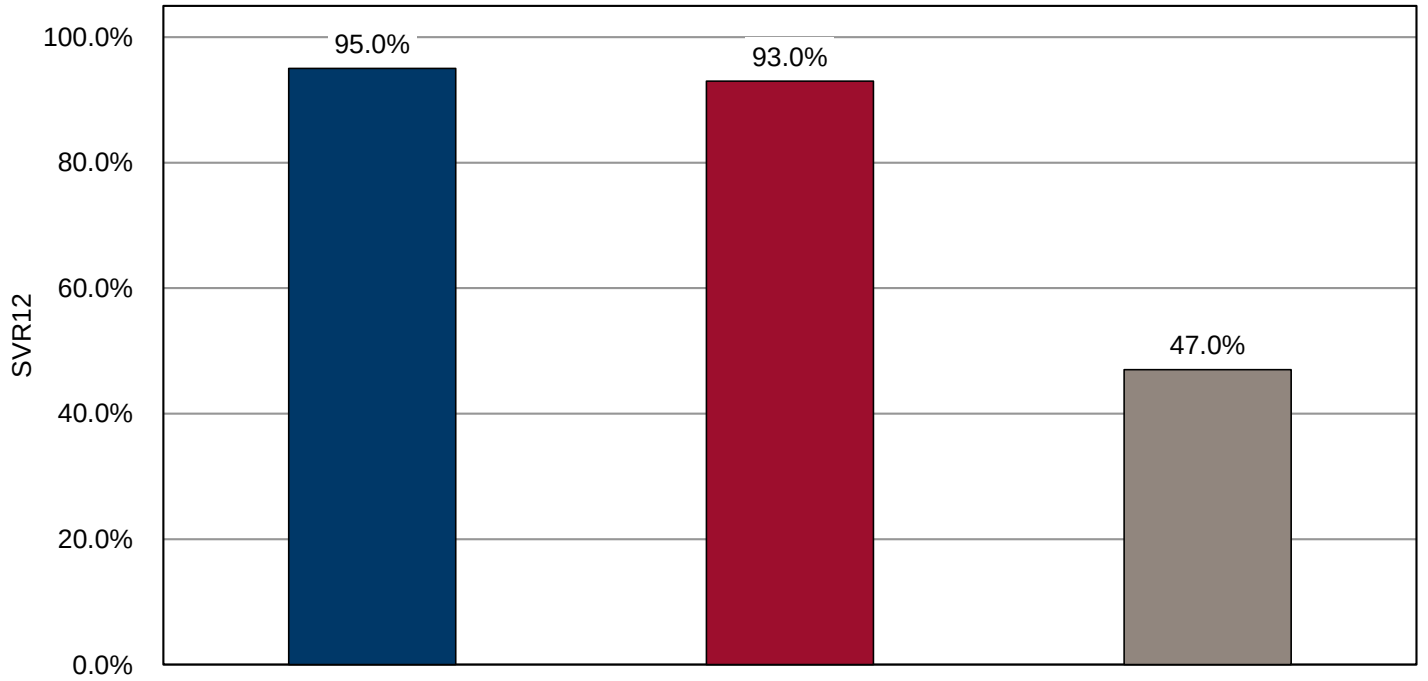
Key Trial Design Parameters	
Compounds	▪ ABT-450 (PI) ▪ ABT-333 (Non-Nuc)
Patient Population	▪ G1 treatment naïve ▪ G1 prior non-responders (null responders and partial responders) ▪ No cirrhosis or bridging fibrosis
Primary Endpoint(s)	▪ eRVR
Secondary Endpoint(s)	▪ SVR4, SVR12 ▪ Safety and tolerability ▪ Resistance profile

Sources: www.clincialtrials.gov, Abbvie, Enanta, Credit Suisse research

Source: www.clinicaltrials.gov, AbbVie, Enanta, Credit Suisse research.

Exhibit 33: **CO-PILOT PII Data Summary**

CO-PILOT PII Data Summary



	Arm 1	Arm 2	Arm 3
Patient Type	Naïve	Naïve	Non-Responders
Duration	12 weeks	12 weeks	12 weeks
Regimen	ABT-450/r	ABT-450/r	ABT-450/r
	ABT-333	ABT-333	ABT-333
	RBV	RBV	RBV

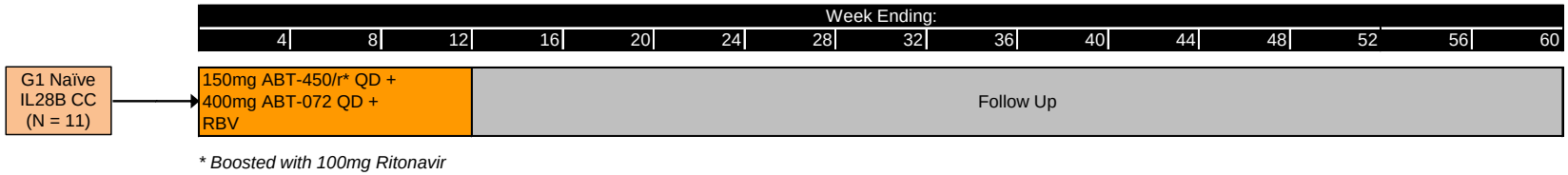
*Intent to Treat (ITT)

Sources:Abbvie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

Exhibit 34: **PILOT PII Trial Design**

PILOT PII Trial Design



** Boosted with 100mg Ritonavir*

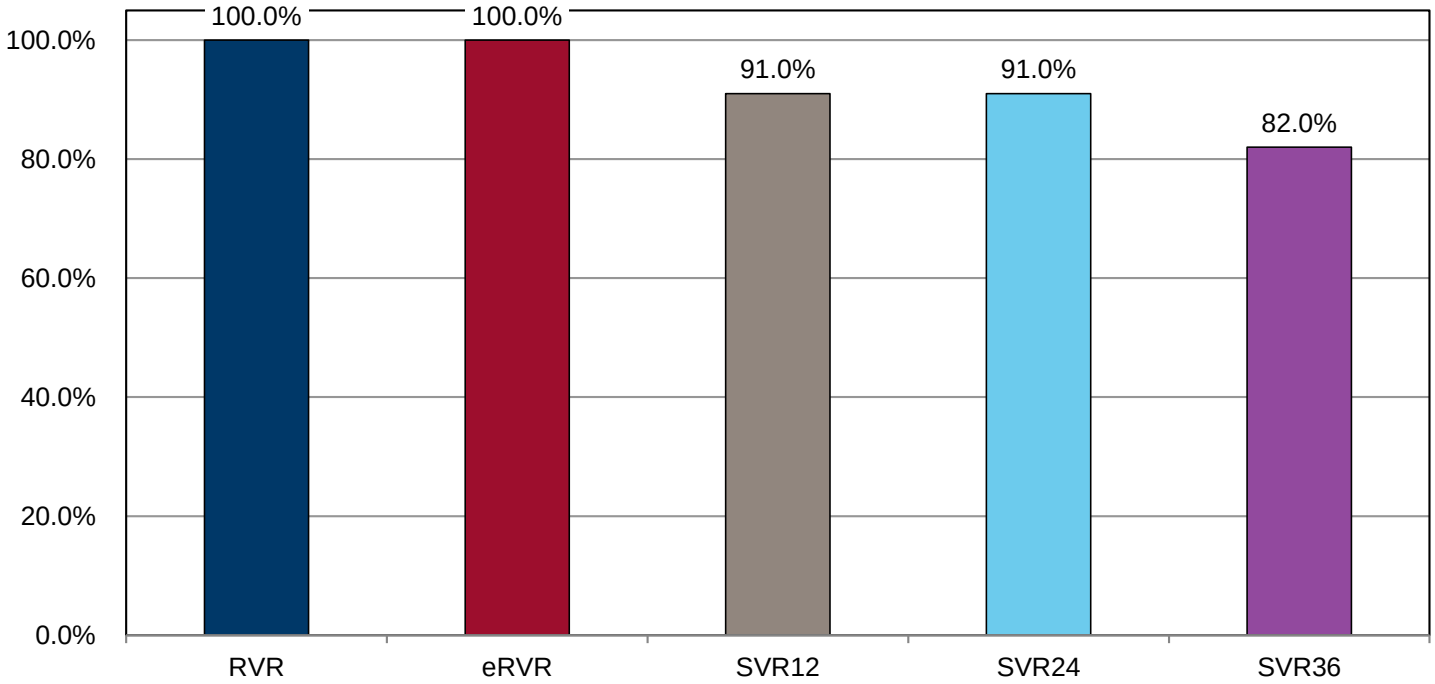
Key Trial Design Parameters	
Compounds	▪ ABT-450 (PI) ▪ ABT-072 (Non-Nuc)
Patient Population	▪ G1 treatment naïve with IL28B CC genotype ▪ No cirrhosis or bridging fibrosis
Primary Endpoint(s)	▪ eRVR
Secondary Endpoint(s)	▪ RVR, SVR12, SVR24 ▪ Safety and tolerability ▪ Resistance profile

Sources:www.clincialtrials.gov, Abbvie, Enanta, Credit Suisse research

Source: www.clinicaltrials.gov, AbbVie, Enanta, Credit Suisse research.

Exhibit 35: **PILOT PII Data Summary**

PILOT PII Data Summary



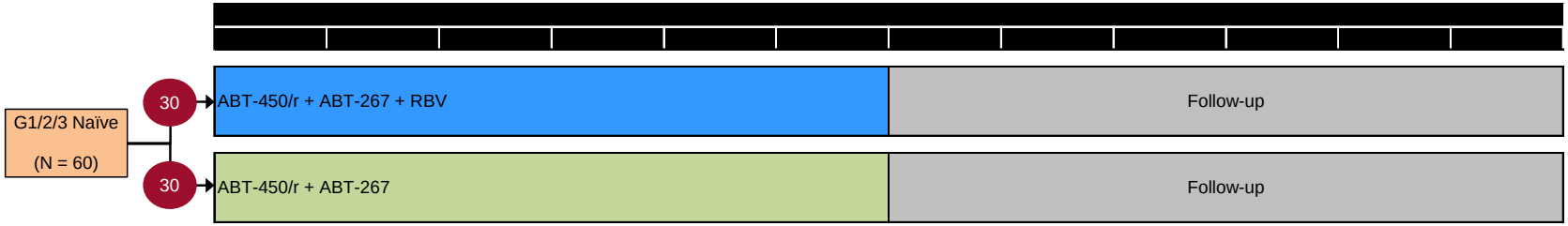
*Intent to Treat (ITT)

- Evaluated 12-weeks of ABT-450/r + ABT-072 + RBV in G1 IL28B CC

Sources:Abbvie, Enanta, Credit Suisse research

Source: AbbVie, Enanta, Credit Suisse research.

NAVIGATOR PII Trial Design



Key Trial Design Parameters	
Compounds	▪ ABT-450 (PI) ▪ ABT-267 (NS5A)
Patient Population	▪ G1/2/3 treatment naïve
Primary Endpoint(s)	▪ eRVR
Secondary Endpoint(s)	▪ SVR12, SVR24 ▪ Percentage of patients with HCV RNA < 1,000 IU/mL ▪ Percentage of patients with HCV RNA < LLOQ ▪ Time to failure to suppress, rebound, or relapse
Readout	▪ Data from this trial is expected to readout in 2013

Sources: www.clincialtrials.gov, Abbvie, Enanta, Credit Suisse research

Source: www.clinicaltrials.gov, AbbVie, Enanta, Credit Suisse research.

Companies Mentioned *(Price as of 12-Apr-2013)*

Achillion Pharmaceuticals Inc. (ACHN.OQ, $7.38)
Enanta Pharmaceuticals (ENTA.OQ, $19.68, OUTPERFORM[V], TP $29.0)
Gilead Sciences Inc. (GILD.OQ, $51.93)
Idenix Pharmaceuticals Inc. (IDIX.OQ, $3.91)
Johnson & Johnson (JNJ.N, $82.74)
Medivir SE (MVIRb.ST, Skr80.75)
Vertex Pharmaceuticals Inc. (VRTX.OQ, $55.74)

Disclosure Appendix

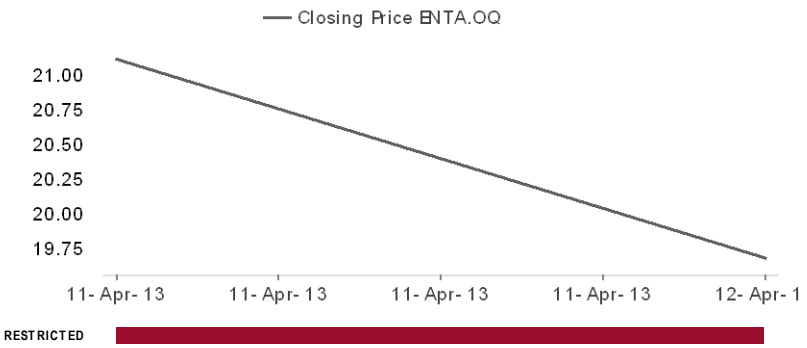
Important Global Disclosures

Ravi Mehrotra PhD, Lee Kalowski and Jason Kantor, PhD each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Price and Rating History for Enanta Pharmaceuticals (ENTA.OQ)

ENTA.OQ	Closing Price	Target Price	
Date	(US$)	(US$)	Rating
11-Apr-13	21.12		R

** Asterisk signifies initiation or assumption of coverage.*



The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; Australia, New Zealand are, and prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.*

Restricted (R) : In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V] : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	43%	(53% banking clients)
Neutral/Hold*	39%	(47% banking clients)
Underperform/Sell*	16%	(40% banking clients)
Restricted	3%	

For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: http://www.csfb.com/research and analytics/disclaimer/managing_conflicts_disclaimer.html

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Price Target: (12 months) for Enanta Pharmaceuticals (ENTA.OQ)

Method: Our DCF-derived TP of $29 is based on annual cash flows through 2023, 10% discount rate, and no terminal value. The cash flows are based on royalties on the ABT-450 portion of the sales for ABT-450/r-based regimens and add-back of all R&D expenses not associated with ABT-450.

Risk: The risks to our TP of $29 are: (1) ABT-450/r-based regimens are not approved or significantly delayed; (2) ABT-450/r-based reigmens do not demonstrate efficacy and safety expected from studies to date; (3) ABT-450/r-based regimens could underperform our expectations for the product launch ramp or peak sales; (4) Competition is more acute than we model; (5) HCV market may not become as large as expected.

Please refer to the firm's disclosure website at www.credit-suisse.com/researchdisclosures for the definitions of abbreviations typically used in the target price method and risk sections.

See the Companies Mentioned section for full company names

The subject company (ENTA.OQ) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (ENTA.OQ) within the past 12 months.

Credit Suisse has managed or co-managed a public offering of securities for the subject company (ENTA.OQ) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (ENTA.OQ) within the past 12 months

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject company (ENTA.OQ) within the next 3 months.

As of the date of this report, Credit Suisse makes a market in the following subject companies (ENTA.OQ).

Important Regional Disclosures

Singapore recipients should contact Credit Suisse AG, Singapore Branch for any matters arising from this research report.

The analyst(s) involved in the preparation of this report have not visited the material operations of the subject company (ENTA.OQ) within the past 12 months

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit http://www.csfb.com/legal_terms/canada_research_policy.shtml.

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

CREDIT SUISSE

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at www.credit-suisse.com/researchdisclosures or call +1 (877) 291-2683.

CREDIT SUISSE

References in this report to Credit Suisse include all of the subsidiaries and affiliates of Credit Suisse operating under its investment banking division. For more information on our structure, please use the following link: https://www.credit-suisse.com/who_we_are/en/.This report may contain material that is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse AG or its affiliates ("CS") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates. The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. CS does not advise on the tax consequences of investments and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change. Information and opinions presented in this report have been obtained or derived from sources believed by CS to be reliable, but CS makes no representation as to their accuracy or completeness. CS accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the information presented in this report. Those communications reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other communications are brought to the attention of any recipient of this report. CS may, to the extent permitted by law, participate or invest in financing transactions with the issuer(s) of the securities referred to in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. CS may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment. Additional information is, subject to duties of confidentiality, available on request. Some investments referred to in this report will be offered solely by a single entity and in the case of some investments solely by CS, or an associate of CS or CS may be the only market maker in such investments. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by CS and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk. Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase. Some investments discussed in this report may have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed any such site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of any such website does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk. This report is issued and distributed in Europe (except Switzerland) by Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, England, which is regulated in the United Kingdom by The Financial Services Authority ("FSA"). This report is being distributed in Germany by Credit Suisse Securities (Europe) This report is being distributed in the United States and Canada by Credit Suisse Securities (USA) LLC; in Switzerland by Credit Suisse AG; in Brazil by Banco de Investimentos Credit Suisse (Brasil) S.A or its affiliates; in Mexico by Banco Credit Suisse (México), S.A. (transactions related to the securities mentioned in this report will only be effected in compliance with applicable regulation); in Japan by Credit Suisse Securities (Japan) Limited, Financial Instruments Firm, Director-General of Kanto Local Finance Bureau (*Kinsho*) No. 66, a member of Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association; elsewhere in Asia/ Pacific by whichever of the following is the appropriately authorised entity in the relevant jurisdiction: Credit Suisse (Hong Kong) Limited, Credit Suisse Equities (Australia) Limited, Credit Suisse Securities (Thailand) Limited, having registered address at 990 Abdulrahim Place, 27 Floor, Unit 2701, Rama IV Road, Silom, Bangrak, Bangkok 10500, Thailand, Tel. +66 2614 6000, Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse AG, Singapore Branch, Credit Suisse Securities (India) Private Limited regulated by the Securities and Exchange Board of India (registration Nos. INB230970637; INF230970637; INB010970631; INF010970631), having registered address at 9th Floor, Ceejay House, Dr.A.B. Road, Worli, Mumbai - 18, India, T- +91-22 6777 3777, Credit Suisse Securities (Europe) Limited, Seoul Branch, Credit Suisse AG, Taipei Securities Branch, PT Credit Suisse Securities Indonesia, Credit Suisse Securities (Philippines) Inc., and elsewhere in the world by the relevant authorised affiliate of the above. Research on Taiwanese securities produced by Credit Suisse AG, Taipei Securities Branch has been prepared by a registered Senior Business Person. Research provided to residents of Malaysia is authorised by the Head of Research for Credit Suisse Securities (Malaysia) Sdn Bhd, to whom they should direct any queries on +603 2723 2020. This report has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (each as defined under the Financial Advisers Regulations) only, and is also distributed by Credit Suisse AG, Singapore branch to overseas investors (as defined under the Financial Advisers Regulations). By virtue of your status as an institutional investor, accredited investor, expert investor or overseas investor, Credit Suisse AG, Singapore branch is exempted from complying with certain compliance requirements under the Financial Advisers Act, Chapter 110 of Singapore (the "FAA"), the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder, in respect of any financial advisory service which Credit Suisse AG, Singapore branch may provide to you. This research may not conform to Canadian disclosure requirements. In jurisdictions where CS is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-U.S. customers wishing to effect a transaction should contact a CS entity in their local jurisdiction unless governing law permits otherwise. U.S. customers wishing to effect a transaction should do so only by contacting a representative at Credit Suisse Securities (USA) LLC in the U.S. Please note that this research was originally prepared and issued by CS for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of CS should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA or in respect of which the protections of the FSA for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report. CS may provide various services to US municipal entities or obligated persons ("municipalities"), including suggesting individual transactions or trades and entering into such transactions. Any services CS provides to municipalities are not viewed as "advice" within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. CS is providing any such services and related information solely on an arm's length basis and not as an advisor or fiduciary to the municipality. In connection with the provision of the any such services, there is no agreement, direct or indirect, between any municipality (including the officials, management, employees or agents thereof) and CS for CS to provide advice to the municipality. Municipalities should consult with their financial, accounting and legal advisors regarding any such services provided by CS. In addition, CS is not acting for direct or indirect compensation to solicit the municipality on behalf of an unaffiliated broker, dealer, municipal securities dealer, municipal advisor, or investment adviser for the purpose of obtaining or retaining an engagement by the municipality for or in connection with Municipal Financial Products, the issuance of municipal securities, or of an investment adviser to provide investment advisory services to or on behalf of the municipality. If this report is being distributed by a financial institution other than Credit Suisse AG, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by Credit Suisse to the clients of the distributing financial institution, and neither Credit Suisse AG, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content. Principal is not guaranteed. Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-listed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.