Enanta Pharmaceuticals, Inc. (ENTA)

It's a Wrap - All Data Now in for the First Wave of All Oral HCV Regimens in GT1

MARKET OUTPERFORM | Price: $36.85 | Target Price: UR

MARKET DATA

Price	$36.85
52-Week Range:	$14.31 - $38.48
Shares Out. (M):	17.9
Market Cap ($M):	$659.6
Average Daily Vol. (000):	88.0
Cash (M):	$45
LT Debt (M):	$0

Source: Thomson Reuters and JMP Securities LLC

FY SEP		2012A	2013A	2014E
Revenue ($M)	1Q	--	$27.9	$1.4
	2Q	--	$1.2	$1.4
	3Q	--	$1.6	$41.4
	4Q	--	$1.3	$1.4
	FY	**$41.7**	**$32.1**	**$45.6**
EPS	1Q	--	$1.53	($0.27)
	2Q	--	($2.28)	($0.28)
	3Q	--	($0.23)	$1.71
	4Q	--	($0.25)	($0.31)
	FY	**$1.13**	**($0.67)**	**$0.95**
	CY	**$2.38**	**($3.02)**	**--**

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE

INVESTMENT HIGHLIGHTS

It's a wrap - all data now in for the first wave of all oral HCV regimens in GT1; reiterate Market Outperform rating on Enanta with our price target under review. Data released this morning from ABBV/ENTA evaluating its interferon free regimen for genotype 1 (GT1) HCV showed high cure rates in patients with compensated liver cirrhosis and the potential to eliminate burdensome ribavirin in patients with GT1b - in line with our expectations for these important subsets (Figure 1). For context, recall key competitor Gilead has not yet broken out its data for the cirrhotic population, however, an analysis we conducted last month (please see our note dated December 18, 2013) suggests that cures are likely comparable to those observed for AbbVie/ Enanta - to be confirmed when data is officially presented in April at the EASL meeting. We currently model 20% peak share for the ABBV/ENTA combination, with Enanta receiving an effective single-digit royalty on sales. As a reminder, Enanta has about $195M in milestones coming in the near term for filing and approval, which we expect by year end and, in our view, is a serious takeout candidate by ABBV given the company's bullish view of the commercial potential for its regimen.

Final data release. The data released this morning showed 92% and 96% cure rates in compensated cirrhotic patients at 12 and 24 weeks, respectively, for the ABBV/ENTA three drug combination with ribavirin (RBV). ABBV/ENTA also released results from their combination without ribavirin (RBV) in GT1b and GT1a patients with comparable cure rates for each regimen - 97% and 100% cures with and without RBV in treatment experienced GT1b patients and equal cure rates of 99% in the GT1b treatment naive population. As a reminder, GT1b patients comprise about 35%, 75% and ~100% of the GT1 patients in the U.S., EU and Japan, respectively. In GT1a, there was a difference of 90% vs. 97% in the treatment naive patients (experienced group was not given this regimen). We look to discussions around the regulatory filings to better understand if these differences between 12 and 24 weeks and presence or absence of ribavirin are meaningful, and in the meantime, we continue to assume 12-week regimens across the board for the ABBV/ENTA combination. We note that shorter regimens and regimens without ribavirin are important competitive factors, where Gilead seems to have an advantage for now, in our opinion.

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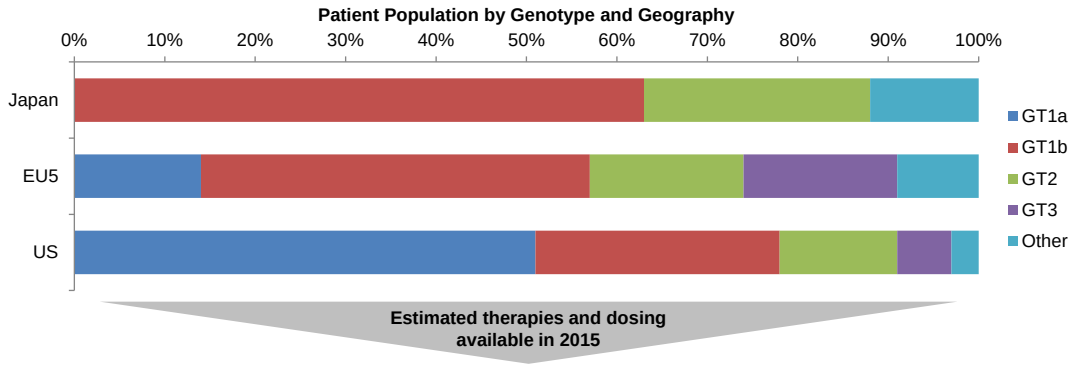
FIGURE 1. Anticipated HCV Therapeutic Landscape in 2015



		GT1a	GT1b	GT2	GT3
GILD	Combination	Sofo/Ledip	Sofo/Ledip	Sofo+**RBV**	Sofo+**RBV**
	Duration	8/12 wks	8 wks	12 wks	24 wks
	Dosing	Once daily	Once daily	Twice daily	Twice daily
	Total pills per day	1	1	3	3
ABBV	Combination	333/450r*/267+**RBV**	333/450r*/267		
	Duration	12 wks	12 wks		
	Dosing	Twice daily	Twice daily		
	Total pills per day	5	3		
BMS**	Combination		Daclat/Asuna		
	Duration		12 wks		
	Dosing		Twice daily		
	Total pills per day		3		

**Ritonavir boosted; **BMS approval in Japan first (4Q14-1Q15) followed by US/EU later in 2015*

Source: Company reports, JMP Securities LLC

Company Description

Enanta is a Watertown, Massachusetts-based biotechnology company focused on anti-infectives. The company has partnered a protease inhibitor program with AbbVie Pharmaceuticals and an NS5a program with Novartis, as well as developing fully owned assets. The lead protease inhibitor, ABT-450, partnered with AbbVie, is in Phase 3 development.

Investment Risks

Clinical risk. Drug development is a risky and capital-intensive endeavor. The vast majority of drugs that enter clinical development fail to reach the market. Enanta's Phase 3 program with AbbVie may experience development setbacks; we point specifically to safety as a source of risk. In addition, Enanta has many early stage assets that may or may not make it to development in humans.

Regulatory risk. Enanta is reliant on its pharmaceutical partners, AbbVie and Novartis, to move its drug candidates through registration with the FDA and EMA and it is dependent on the pace of these regulatory entities to approve new drugs. Enanta's early stage HCV assets are from classes that have been placed on clinical hold, leading to increased scrutiny.

Intellectual Property risk. Enanta's lead clinical assets are covered by approved patents; however, other assets have patents pending. Patent expirations can result in a negative impact to sales. Additionally, generic companies may file abbreviated new drug applications to challenge current products with patent protection.

Commercial risk. Enanta is reliant upon their pharmaceutical partners, AbbVie and Novartis, to successfully commercialize assets. The HCV space is very competitive and Enanta's assets may lose share as new competitors come to market.

Sector risk. Valuation of biopharmaceutical stocks is subject to both investor assessments of the prospects of the underlying companies, as well as investor tolerance for risk and confidence in the prospects of pharmaceutical stocks as a group. Therefore, Enanta's stock price may fall, even while the company meets or exceeds investor expectations.

JMP FACTS AND DISCLOSURES

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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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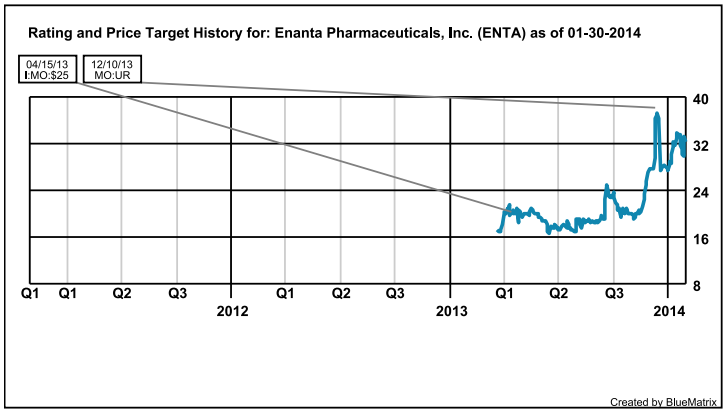
JMP Rating	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	# Co's Receiving IB Services in Past 12 Months	*% of Co's With This Rating*
MARKET OUTPERFORM	Buy	243	*56.64%*	Buy	243	*56.64%*	88	*36.21%*
MARKET PERFORM	Hold	136	*31.70%*	Hold	136	*31.70%*	25	*18.38%*
MARKET UNDERPERFORM	Sell	8	*1.86%*	Sell	8	*1.86%*	0	*0%*
COVERAGE IN TRANSITION		42	*9.79%*		42	*9.79%*	0	*0%*
TOTAL:		429	*100%*		429	*100%*	113	*26.34%*

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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