

Esperion

DSE settlement removes overhang, though focus returns to LT commercial concerns

Rating Change: NEUTRAL | PO: 2.50 USD | Price: 2.30 USD

Story pivots but Q's on BA's upside remain; Neutral, \$2.50

This morning Esperion and EU commercial partner DSE announced they had reached a settlement in their ongoing milestone litigation. Highlighting the agreement, DSE will pay Esperion \$125M—\$100M mid-Jan and \$25M after EMA approval of BA's label expansions (expected 2Q). The payment is well below the original \$300M milestone though, and given Esperion's capital needs (see [our YA24 for a discussion](#))—along with management's repeated optimism about the trial's outcome—with shares trading down meaningfully on the news. That said, we had long seen a settlement as probable (see [our upgrade note](#)), and even as the revised payment may disappoint, think the deal overall makes sense, given: 1) the certainty of the payment, with trial outcomes inherently unpredictable; 2) upside from the rest the deal, especially as it pertains to manufacturing and a possible triple combo (see below); 3) the 15-25% tiered royalties is untouched; and 4) it removes a likely distraction over Esperion's commercial efforts this year as it works to re-launch in the US after FDA's potential label expansion (PDUFA: Mar 31st)

To be clear, absent further evidence to the upside, we remain more reserved on BA's longer-term outlook given questions about the extent to which it can capture meaningful share behind generic statins but ahead of the expanding PCSK9 class (see [our prescriber survey](#))—especially with key opportunities like primary prevention proving challenging. Still, we'd argue today's news is a step in the right direction and an opportunity to expand on a launch that has admittedly created some buzz. After adjusting our model for today's news, updating our initial assumptions for a settlement and increasing our WACC to 9% from 8% given concerns associated with raising capital, with see shares as fairly valued, are moving to Neutral from Buy with a new PO of \$2.50 from \$4.00 prior.

Re-launch work on track, with add'l advantages from deal

We had an opportunity to catch up with Esperion this morning, which was emphatic the US re-launch would not be negatively impacted—with the team largely planning under the assumption the funds would not be available right at likely approval. They also highlighted additional features of the deal which arguably expand its overall value beyond the milestone. This notably includes cost savings associated with transitioning manufacturing to DSE, which based on their feedback could provide for meaningful inventory-associated cost reductions, with ~80% tied to DSE. Management also pointed to the potential of a BA + ezetimibe + statin triplet, which could expand the patent life ~10 years in the EU. We certainly don't disagree these dynamics could help put Esperion on better commercial footing, even as they take longer to manifest. That said, with BA MP still a key question for us, the overall impact of these factors remains unclear.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(9.31)	(3.52)	(1.91)	(0.09)	(0.32)
EPS Change (YoY)	-78.0%	62.2%	45.7%	95.3%	-255.6%
Consensus EPS (Bloomberg)			(1.97)	0.27	0.37
DPS	0	0	0	0	0
Valuation (Dec)					
EV / EBITDA*	NM	NM	NM	19.1x	NM
Free Cash Flow Yield*	-100.9%	-66.8%	-61.9%	-27.4%	-23.5%

* For full definitions of *iQmethod*SM measures, see page 6.

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Timestamp: 03 January 2024 12:39PM EST

03 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	C-1-9	C-2-9
Inv. Rating	BUY	NEUTRAL
Price Obj.	4.00	2.50
2023E Rev (m)	118.6	113.2
2024E Rev (m)	486.1	293.9
2025E Rev (m)	432.1	273.0
2023E EPS	-1.75	-1.91
2024E EPS	0.83	-0.09
2025E EPS	0.26	-0.32

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Stock Data

Price	2.30 USD
Price Objective	2.50 USD
Date Established	3-Jan-2024
Investment Opinion	C-2-9
52-Week Range	0.70 USD - 7.41 USD
Mkt Val (mn) / Shares Out (mn)	262 USD / 113.7
Free Float	99.2%
Average Daily Value (mn)	12.45 USD
BofA Ticker / Exchange	ESPR / NAS
Bloomberg / Reuters	ESPR US / ESPR.OQ
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter™	Low

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

Abbreviations:

DSE: Daiichi Sankyo Europe
BA: bempedoic acid
EMA: European Medicines Agency
PDUFA: Prescription Drug User Fee Act
<see page 3 for more abbreviations>

iQprofileSM Esperion

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-71.9%	-69.7%	-142.4%	42.1%	-2.8%
Return on Equity	NM	NM	NM	NM	NM
Operating Margin	-289.0%	-237.8%	-127.6%	12.8%	-1.5%
Free Cash Flow	(264)	(175)	(162)	(72)	(62)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	0x	0x	NA	NA	NA
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	-4.9x	-3.2x	-2.4x	0.6x	-0.1x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	78	75	113	294	273
% Change	-65.5%	-3.8%	50.0%	159.6%	-7.1%
Gross Profit	64	49	76	272	246
% Change	-71.5%	-24.5%	57.3%	256.5%	-9.6%
EBITDA	(224)	(177)	(144)	38	(4)
% Change	-88.3%	21.1%	18.5%	NM	NM
Net Interest & Other Income	(42)	(54)	(54)	(55)	(56)
Net Income (Adjusted)	(269)	(234)	(199)	(18)	(61)
% Change	-87.5%	13.2%	14.9%	91.1%	-243.4%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(269)	(234)	(199)	(18)	(60)
Depreciation & Amortization	2	2	0	0	0
Change in Working Capital	(53)	(3)	27	(54)	(1)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	56	60	10	0	0
Capital Expenditure	0	0	0	0	0
Free Cash Flow	-264	-175	-162	-72	-62
% Change	-206.6%	33.7%	7.3%	55.8%	14.2%
Share / Issue Repurchase	213	0	60	125	50
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	209	125	23	76	65
Trade Receivables	NA	NA	NA	NA	NA
Other Current Assets	120	122	101	101	105
Property, Plant & Equipment	1	0	0	0	0
Other Non-Current Assets	52	1	1	1	1
Total Assets	382	248	125	178	171
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	73	92	98	44	47
Long-Term Debt	258	260	260	260	260
Other Non-Current Liabilities	247	220	220	220	220
Total Liabilities	579	572	577	523	527
Total Equity	(197)	(324)	(453)	(345)	(355)
Total Equity & Liabilities	382	248	125	178	171

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Biotechnology

Company Description

Esperion is a biopharma commercializing its first therapy, novel cholesterol (LDL-C) lowering agent bempedoic acid (BA) both as monotherapy, Nexletol, and in combination with ezetimibe, Nexlizet. After a challenging launch, which started during the pandemic, management is looking to its large cardiovascular outcomes study CLEAR Outcomes to improve/ expand the label, grow prescriber awareness, and ultimately drive uptake.

Investment Rationale

Following the settlement with DSE, Esperion remains focused on efforts to relaunch bempedoic acid (BA) in the US. But while we see a place for BA in the treatment paradigm, our KOLs have questioned whether it can capture meaningful share ahead of generic statins and before the growing PCSK9 class--with additional challenges in the primary prevention market

Stock Data

Average Daily Volume 5413,026

Quarterly Earnings Estimates

	2022	2023
Q1	-0.93A	-0.79A
Q2	-1.05A	-0.46A
Q3	-0.81A	-0.37A
Q4	-0.76A	-0.39E

Abbreviations:

DSE: Daiichi Sankyo Europe

BA: bempedoic acid

EMA: European Medicines Agency

PDUFA: Prescription Drug User Fee Act

PCSK9: proprotein convertase subtilisin/kexin type 9

MP: market penetration

Price objective basis & risk

Esperion (ESPR)

Our 12-month price objective (PO) is based on our NPV analysis of revenue forecasts and estimated margin assumptions. We forecast sales of bempedoic acid with a terminal growth rate of -50%, supplemented by updated milestones and ROW royalties with a terminal growth rate of -50%. Given a WACC of 9% in-line with similar commercial-stage biotechs, we estimate a PO of \$2.50/ share.

Upside risks to our PO:

1) near-term label expansion to reflect CLEAR Outcomes, 2) strong support from (esp) community-based providers to broadly administer BA to patients, 3) expanded payer coverage, 4) robust adoption and growth OUS, supporting royalty growth and milestones, and 5) pipeline success, including an oral PSCK9 inhibitor and a next gen ACLY inhibitor.

Downside risks to our PO:

1) label expansion delays, 2) slow uptake among prescribers, especially those in community settings, 3) payer pushback, including poor formulary positioning and use restrictions, 4) underwhelming uptake OUS, limiting royalties/ collaboration milestones, 5) competition from other lipid modifying therapies, and 6) difficulties securing funding to support commercial and development activities.

Analyst Certification

I, Jason Zemansky, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	89bio, Inc	ETNB	ETNB US	Geoff Meacham
	Acumen Pharma	ABOS	ABOS US	Geoff Meacham
	Agiros Pharmaceuticals	AGIO	AGIO US	Greg Harrison, CFA
	Amylyx Pharmaceuticals	AMLX	AMLX US	Geoff Meacham
	BioMarin	BMRN	BMRN US	Geoff Meacham
	BioXcel Therapeutics	BTAI	BTAI US	Greg Harrison, CFA
	BridgeBio Pharma	BBIO	BBIO US	Greg Harrison, CFA
	Caribou	CRBU	CRBU US	Geoff Meacham
	CRISPR Therapeutics	CRSP	CRSP US	Geoff Meacham
	Eli Lilly and Company	LLY	LLY US	Geoff Meacham
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmid Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Geoff Meacham
	Keros	KROS	KROS US	Greg Harrison, CFA
	Kiniksa Pharmaceuticals, Ltd.	KNSA	KNSA US	Geoff Meacham
	Krystal Biotech	KRYS	KRYS US	Alec W. Stranahan
	Kura Oncology	KURA	KURA US	Jason Zemansky
	Liquidia Corporation	LQDA	LQDA US	Greg Harrison, CFA
	Lyell Immunopharma	LYEL	LYEL US	Geoff Meacham
	MeiraGTx	MGTX	MGTX US	Alec W. Stranahan
	Merck & Co.	MRK	MRK US	Geoff Meacham
	Mineralys Therapeutics	MLYS	MLYS US	Greg Harrison, CFA

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
	Rani Therapeutics	RANI	RANI US	Geoff Meacham
	Regenxbio, Inc.	RGNX	RGNX US	Alec W. Stranahan
	Rocket Pharmaceuticals, Inc.	RCKT	RCKT US	Greg Harrison, CFA
	Royalty Pharma	RPRX	RPRX US	Geoff Meacham
	Sana Biotechnology	SANA	SANA US	Geoff Meacham
	SpringWorks	SWTX	SWTX US	Alec W. Stranahan
	Syndax Pharmaceuticals	SNDX	SNDX US	Jason Zemansky
	Traverse Therapeutics Inc	TVTX	TVTX US	Greg Harrison, CFA
	Turnstone Biologics	TSBX	TSBX US	Geoff Meacham
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham
	Werewolf Therapeutics	HOWL	HOWL US	Jason Zemansky
	Xencor	XNCR	XNCR US	Alec W. Stranahan
NEUTRAL				
	AbbVie	ABBV	ABBV US	Geoff Meacham
	Alector, Inc	ALEC	ALEC US	Greg Harrison, CFA
	Amgen Inc.	AMGN	AMGN US	Geoff Meacham
	Arcus Biosciences	RCUS	RCUS US	Jason Zemansky
	Beam Therapeutics	BEAM	BEAM US	Greg Harrison, CFA
	Biogen Inc.	BIIB	BIIB US	Geoff Meacham
	Bristol-Myers Squibb	BMJ	BMJ US	Geoff Meacham
	Cytokinetics, Incorporated	CYTK	CYTK US	Jason Zemansky
	Editas Medicine	EDIT	EDIT US	Greg Harrison, CFA
	Esperion	ESPR	ESPR US	Jason Zemansky
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA
	Johnson & Johnson	JNJ	JNJ US	Geoff Meacham
	Kymera Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXRJ	RXRJ US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD US	Alec W. Stranahan
	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Geoff Meacham
	Y-mAbs Therapeutics, Inc	YMAB	YMAB US	Alec W. Stranahan
UNDERPERFORM				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky
	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	LianBio	LIAN	LIAN US	Geoff Meacham
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff Meacham
	Reneo Pharmaceuticals	RPHM	RPHM US	Jason Zemansky
	TG Therapeutics	TGTX	TGTX US	Alec W. Stranahan
	United Therapeutics Corporation	UTHR	UTHR US	Greg Harrison, CFA

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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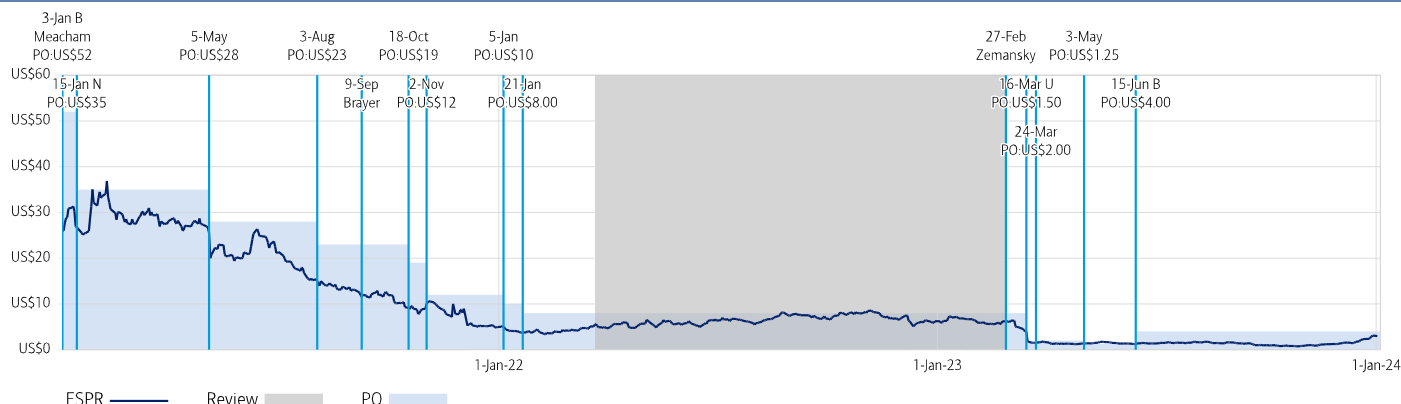
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Disclosures

Important Disclosures

Esperion (ESPR) Price Chart



ESPR — Review PO

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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