

Esperion

Litigation overhang removed, story pivots to relaunch—can ESPR execute? 4Q takes...

Reiterate Rating: NEUTRAL | PO: 2.90 USD | Price: 2.68 USD

BA gaining as debate shifts to re-launch; PO to \$2.90

Esperion's 4Q results were good, in our view, with revenues ahead (+\$3.1M) though EPS missed (-\$0.06) VA cons as bempedoic acid (BA) continues to gain traction—the key takeaway of an otherwise uneventful call following the Jan settlement of the DSE litigation that has weighed on the name. Admittedly, shares have underperformed YTD (ESPR -16% vs. NBI +4%), which we'd attribute to disappointment over the deal terms (see [our review of settlement](#)) along with another dilutive raise. In our view, both made sense from a long-term perspective, addressing critical overhangs, leaving Esperion to concentrate on BA's relaunch with the label expansion PDUFA date approaching (March 31st). Here though, we remain cautious on BA's ability to capture meaningful share. To be fair, responses to CLEAR Outcomes have been positive. Easily overshadowed by the court case, today's print continues a trend of largely solid top-line performances following the full data presentation last March, with US scripts still growing at a meaningful clip, +8% q/q 4Q vs. 1Q-3Q's +5%, +17%, and +9%. We don't disagree BA has a place in the paradigm given its tolerability and oral formulation. But whether it can establish itself as more than a niche option is another matter, with 1) statins generic, more effective, with strong prescriber support/ familiarity; 2) expanding PCSK9s use; 3) an underdeveloped primary prevention market, arguably the ideal setting for BA and largest opportunity; 4) potential active payer management given size of the population; and 5) several competing modalities (CETP inhibitors, oral PCSK9s) poised to enter mid-to-long term. Given FDA's unexpected relaxation of BA's label in Dec, we wouldn't be surprised if the agency's next update is favorable. But absent greater insights into the growth trajectory, we see more favorable opportunities elsewhere. Reiterate Neutral but raise our PO to \$2.90 from \$2.80 after updating OpEx (guidance: \$225-245M).

EU growth encouraging offering more support for deal

Admittedly 4Q US sales missed (-\$0.6M) with the beat driven by collaboration revenues (+\$3.7M). We're not concerned about the former given typical YE headwinds and the late impact of label update but rather remain encouraged by BA's EU growth, driven by DSE's efforts and the favorable commercial dynamics. While likely overshadowed by the US re-launch, we wouldn't be surprised if EU sales continue to inflect and while certainly not the key driver of the story, add further support to the decision to settle the litigation.

Model Updates

Following today's call, we have updated our model and now forecast 2024e EPS of (\$0.04) vs. (-\$0.02) prior. See page 3 for additional details.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(3.52)	(2.03)	0.04	(0.26)	(0.45)
EPS Change (YoY)	62.2%	42.3%	NM	NM	-73.1%
Consensus EPS (Bloomberg)			0.06	0.51	1.50
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	67.0x	NM	NM
EV / EBITDA*	NM	NM	12.3x	88.4x	NM
Free Cash Flow Yield*	-36.4%	-28.2%	11.1%	-9.4%	-16.7%

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

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Timestamp: 27 February 2024 11:40AM EST

27 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	2.80	2.90
2024E Rev (m)	308.1	314.6
2025E Rev (m)	275.9	272.9
2026E Rev (m)	263.8	255.9
2024E EPS	-0.02	0.04
2025E EPS	-0.42	-0.26
2026E EPS	-0.71	-0.45

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Stock Data

Price	2.68 USD
Price Objective	2.90 USD
Date Established	27-Feb-2024
Investment Opinion	C-2-9
52-Week Range	0.70 USD - 6.75 USD
Mkt Val (mn) / Shares Out (mn)	481 USD / 179.3
Free Float	99.5%
Average Daily Value (mn)	16.99 USD
BofA Ticker / Exchange	ESPR / NAS
Bloomberg / Reuters	ESPR US / ESPR.OQ
ROE (2024E)	NA
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter TM	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:

BA: bempedoic acid
VA: Visible Alpha
DSE: Daiichi Sankyo Europe
PDUFA: Prescription Drug User Fee Act
PCSK9: proprotein convertase subtilisin/ kexin type 9
CETP: cholesteryl ester transfer protein

iQprofileSM Esperion

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-69.7%	-136.5%	54.1%	5.9%	-36.3%
Return on Equity	NM	NM	NM	NM	NM
Operating Margin	-237.8%	-133.8%	19.4%	3.1%	-10.3%
Free Cash Flow	(175)	(135)	53	(45)	(80)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	8.2x	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	-3.2x	-2.6x	1.0x	0.1x	-0.4x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	75	116	315	273	256
% Change	-3.8%	54.1%	170.5%	-13.2%	-6.3%
Gross Profit	49	73	295	256	237
% Change	-24.5%	50.6%	304.3%	-13.4%	-7.5%
EBITDA	(177)	(154)	61	9	(26)
% Change	21.1%	13.0%	NM	-86.1%	NM
Net Interest & Other Income	(54)	(54)	(55)	(56)	(56)
Net Income (Adjusted)	(234)	(209)	7	(48)	(83)
% Change	13.2%	10.4%	NM	NM	-73.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(234)	(209)	7	(47)	(83)
Depreciation & Amortization	2	1	0	0	0
Change in Working Capital	(3)	14	47	2	3
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	60	59	0	0	0
Capital Expenditure	0	0	0	0	0
Free Cash Flow	-175	-135	53	-45	-80
% Change	33.7%	22.5%	NM	NM	-76.6%
Share / Issue Repurchase	0	57	98	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	125	82	234	188	108
Trade Receivables	NA	NA	NA	NA	NA
Other Current Assets	122	119	26	27	29
Property, Plant & Equipment	0	0	0	0	0
Other Non-Current Assets	1	5	5	5	5
Total Assets	248	206	265	220	142
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	92	156	111	113	118
Long-Term Debt	260	262	262	262	262
Other Non-Current Liabilities	220	243	243	243	243
Total Liabilities	572	661	615	618	623
Total Equity	(324)	(455)	(351)	(398)	(481)
Total Equity & Liabilities	248	206	265	220	142

* 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 6,338,436

Quarterly Earnings Estimates

	2023	2024
Q1	-0.79A	0.37E
Q2	-0.46A	-0.15E
Q3	-0.37A	-0.04E
Q4	-0.50A	-0.15E

Model Updates

We've updated our Esperion model to reflect the 4Q earnings update and management commentary (Exhibit 1).

Exhibit 1: ESPR Model Changes for 2024E and 2025E

We've provided our model changes for 2024e and 2025e below

	2024E		2025E	
\$ in millions (ex. per share items)	Prior	Current	Prior	Current
Net Product Sales	115	121	160	157
Collaboration Revenues	193	194	116	116
Total Revenue	308	315	276	273

	2024E		2025E	
\$ in millions (ex. per share items)	Prior	Current	Prior	Current
Revenue	308	315	276	273
COGS	18	19	18	17
Gross Profit	290	295	258	256
R&D	66	52	59	46
SG&A	171	182	191	201
Operating Income	53	61	8	9
Interest Income	(61)	(60)	(63)	(62)
Taxes	0	0	0	0
GAAP Net Income	(2)	7	(48)	(47)
GAAP EPS	(0.02)	0.04	(0.42)	(0.26)
Shares Outstanding - Diluted	115	183	116	184

Source: BofA Global Research

BofA GLOBAL RESEARCH



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 \$2.90/ 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
	Agios 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
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmed Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Alec W. Stranahan
	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
	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
	Rani Therapeutics	RANI	RANI US	Geoff Meacham

US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Regenxbio, Inc.	RGNX	RGNX US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD 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
	Erasca	ERAS	ERAS US	Alec W. Stranahan
	Esperion	ESPR	ESPR US	Jason Zemansky
	Exscientia	EXAI	EXAI US	Alec W. Stranahan
	IGM Biosciences	IGMS	IGMS US	Greg Harrison, CFA
	Johnson & Johnson	JNJ	JNJ US	Geoff Meacham
	Kymira Therapeutics	KYMR	KYMR US	Geoff Meacham
	Moderna	MRNA	MRNA US	Geoff Meacham
	Pfizer	PFE	PFE US	Geoff Meacham
	Recursion Pharmaceuticals, Inc.	RXR	RXR US	Alec W. Stranahan
	Tyra Biosciences	TYRA	TYRA US	Greg Harrison, CFA
	Vir	VIR	VIR US	Alec W. Stranahan
	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
	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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

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

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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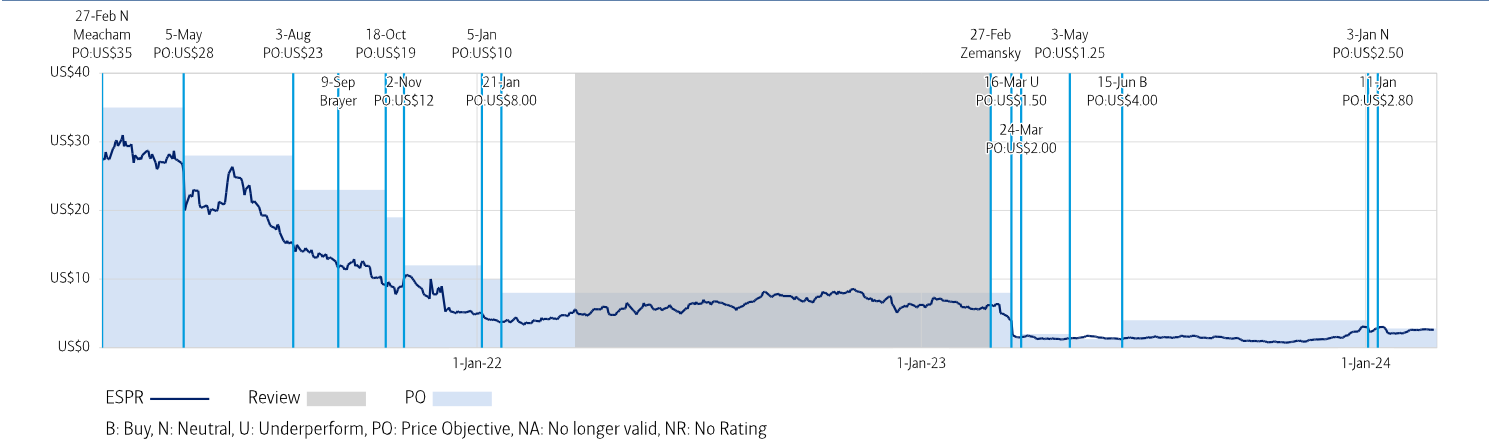
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Disclosures

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Esperion (ESPR) Price Chart



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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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