

Alimera Sciences (ALIM)

Rating	OUTPERFORM* [V]
Price (03 Nov 10, US\$)	11.15
Target price (US\$)	16.00 ¹
52-week price range	11.23 - 6.62
Market cap. (US\$ m)	346.23
Enterprise value (US\$ m)	318.06

*Stock ratings are relative to the relevant country benchmark.

¹Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

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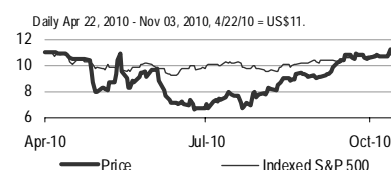
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EARNINGS

Approval Anticipation Eclipses Earnings

- **FDA approval decision expected by year-end continues to be the focus.** Alimera's 3Q10 earnings report was not a material event. The FDA's approval decision on Iluvien, expected by year end under a 6 month priority review timeline, remains the primary near-term catalyst for the stock.
- **3Q10 EPS of -\$0.20 was 6 cents above our (and consensus) estimates,** coming in at -\$0.26 (see **Error! Reference source not found.**). The difference was due to lower R&D, sales, and marketing expense than estimated, partly offset by higher G&A.
- **We continue to like the stock for three main reasons:** (1) Diabetic Macular Edema (DME) is a large, underserved market; (2) Iluvien has a differentiated product profile with demonstrated clinical advantages; and (3) Alimera's leverageable commercial model can potentially achieve high margins and rapid profitability.
- **We have made modest EPS estimate revisions due to miscellaneous model changes,** as follows: 2010 from -\$1.53 to -\$1.37; 2011 from \$0.37 to \$0.27, and 2012 from \$1.60 to \$1.53. We have slightly pushed out revenues, from the beginning of 2011 to February 2011, and correspondingly delayed the build of sales force expense, to align with the company's plan to hire and train its outsourced sales force from OnCall LLC in January. We have also made various expense estimate refinements (Exhibit 2).
- **Valuation and rating unchanged:** We maintain our Outperform rating with a target price of \$16, based on discounted cash flow analysis (DCF).

Share price performance



On 11/03/10 the S&P 500 index closed at 1197.96

Quarterly EPS	Q1	Q2	Q3	Q4
2009A	—	—	—	—
2010E	-4.37	-0.27	-0.20	-0.34
2011E	-0.09	0.05	0.12	0.18

Financial and valuation metrics

Year	12/09A	12/10E	12/11E	12/12E
EPS (CS adj.) (US\$)	-19.30	-1.37	0.27	1.53
Prev. EPS (US\$)	—	-1.53	0.37	1.60
P/E (x)	NM	NM	41.1	7.3
P/E rel. (%)	NM	NM	339.5	68.2
Revenue (US\$ m)	—	—	89.2	191.4
EBITDA (US\$ m)	-18.1	-26.3	20.2	87.5
OCFPS (US\$)	-11.56	-1.95	-0.21	2.18
P/OCF (x)	—	-5.7	-53.7	5.1
EV/EBITDA (current)	-19.7	-12.1	16.1	2.9
Net debt (US\$ m)	10	-28	-21	-95
ROIC (%)	48.43	-274.32	12.11	89.96
Number of shares (m)	31.05	IC (12/10E, US\$ m)		36.21
BV/share (current, US\$)	1.8	EV/IC (x)		8.8
Net debt (current, US\$ m)	-45.6	Dividend (12/09A, US\$)		—
Net debt/tot. cap. (current, %)	-13.0	Dividend yield (%)		—

Source: Company data, Credit Suisse estimates.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S. ANALYSTS. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

3Q:2010 Variance Analysis

Exhibit 1: Alimera 3Q10 Variance Analysis
in thousands except EPS, unless otherwise stated

	3Q 2010			Consensus
	CS Forecast	Reported	VARIANCE	
R&D Expense	\$4,200	\$3,276	(\$924)	
Marketing Expense	2,000	1,583	(417)	
Sales Force Expense	975	0	(975)	
G&A	974	1,260	286	
Total expenses	8,149	6,119	(2,030)	
Operating Income/EBIT	(\$8,149)	(\$6,119)	\$2,030	
Interest Income	15	37	22	
Interest Expense	0	0	0	
Pretax Income/(Loss)	(8,134)	(6,082)	2,052	
Net income from continuing operations	(\$8,134)	(\$6,082)	\$2,052	
Wtd Avg Shares (diluted)	31,143	31,146	3	(\$0.20) High
Earnings per Share (excluding non-recurring items)	(\$0.26)	(\$0.20)	\$0.07	<div>(\$0.26) Mean</div> <div>(\$0.34) Low</div>

Source: Company data, Credit Suisse estimates

Summary of Model Changes and Revised Model

Exhibit 2: Credit Suisse Model Changes for Alimera

in thousands except EPS, unless otherwise stated 2010 o

	1Q10A	2Q10A	3Q10E	4Q10E	FY 2010E	1Q11E	2Q11E	3Q11E	4Q11E	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
Total Net Sales														
Old	0	0	0	0		17,909	19,534	28,323	30,699	96,466	197,669	268,197	442,736	559,503
Revised	0	0	0	0	0	12,211	19,721	26,290	30,978	89,199	191,412	263,739	445,448	559,511
Change	0	0	0	0	0	(5,698)	186	(2,034)	279	(7,266)	(6,257)	(4,458)	2,711	8
Gross Margin														
Old						16,141	17,213	24,089	25,951	83,395	162,718	218,196	354,401	446,585
Revised	0	0	0	0	0	11,736	17,411	22,551	26,219	77,917	158,082	214,976	356,809	446,903
Change	0	0	0	0	0	(4,405)	198	(1,539)	268	(5,478)	(4,636)	(3,220)	2,408	318
R&D Expense														
Old	3,065	4,140	4,200	4,200	15,605	3,230	3,109	3,565	3,775	13,679	17,530	20,536	22,339	24,323
Revised	3,065	4,140	3,276	3,000	13,481	1,391	1,660	2,591	2,725	8,367	13,231	16,451	17,846	19,380
Change	0	0	(924)	(1,200)	(2,124)	(1,839)	(1,449)	(974)	(1,050)	(5,312)	(4,298)	(4,085)	(4,494)	(4,943)
Marketing Expense														
Old	247	379	2,000	5,000	7,626	7,500	6,500	6,500	6,500	27,000	26,800	26,780	23,958	26,354
Revised	247	379	1,583	5,000	7,209	7,500	6,500	6,500	6,500	27,000	27,000	27,000	24,200	26,620
Change	0	0	(417)	0	(417)	0	0	0	0	0	200	220	242	266
Sales Force Expense														
Old	0	0	975	2,025	3,000	3,150	3,150	3,150	3,150	12,600	13,230	13,892	14,586	15,315
Revised	0	0	0	1,056	1,056	3,413	3,413	3,413	3,413	13,650	14,333	15,049	15,802	16,592
Change	0	0	(975)	(969)	(1,944)	263	263	263	263	1,050	1,103	1,158	1,216	1,276
G&A Expense														
Old	904	1,174	974	695	3,748	1,085	1,409	1,169	834	4,497	5,397	6,368	7,387	8,569
Revised	904	1,174	1,260	1,364	4,702	1,446	1,468	1,512	1,636	6,062	7,275	8,584	9,958	11,551
Change	0	0	286	668	954	362	59	343	802	1,565	1,878	2,216	2,571	2,982
EBIT														
Old	(4,216)	(5,693)	(8,149)	(11,920)	(29,979)	102	1,873	8,006	9,850	19,830	87,901	134,529	259,567	338,453
Revised	(4,216)	(5,693)	(6,119)	(10,420)	(26,448)	(2,747)	3,188	6,958	10,086	17,486	84,758	132,067	262,277	339,190
Change	0	0	2,030	1,500	3,531	(2,848)	1,315	(1,047)	237	(2,344)	(3,143)	(2,461)	2,710	736
Net income from cont. ops.														
Old	(\$4,688)	(\$5,823)	(\$8,134)	(\$11,960)	(\$30,606)	(\$54)	\$938	\$4,703	\$5,853	\$11,440	\$53,546	\$82,582	\$159,928	\$208,757
Revised	(4,688)	(5,823)	(6,082)	(10,461)	(27,054)	(2,900)	1,748	4,060	5,998	8,905	51,615	81,067	161,584	209,202
Change	\$0	\$0	\$2,052	\$1,499	\$3,552	(\$2,846)	\$809	(\$644)	\$146	(\$2,535)	(\$1,931)	(\$1,515)	\$1,656	\$445
EPS														
Old	(\$4.37)	(\$0.27)	(\$0.26)	(\$0.38)	(\$1.53)	\$0.00	\$0.03	\$0.14	\$0.18	\$0.37	\$1.60	\$2.42	\$4.59	\$5.87
Revised	(\$4.37)	(\$0.27)	(\$0.20)	(\$0.34)	(\$1.37)	(\$0.09)	\$0.05	\$0.12	\$0.18	\$0.27	\$1.53	\$2.36	\$4.63	\$5.89
Change	\$0.00	\$0.00	\$0.07	\$0.05	\$0.16	(\$0.10)	\$0.02	(\$0.02)	(\$0.00)	(\$0.10)	(\$0.07)	(\$0.06)	\$0.05	\$0.01

Source: Company data, Credit Suisse estimates

Exhibit 3: Alimera Summary of Revenue Model
in thousands, unless otherwise stated

	FY 2007	FY 2008	FY 2009	FY 2010E	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
Treatable Population									
Diagnosed diabetic population	17,900,000	18,347,500	18,806,188	19,276,342	19,758,251	20,252,207	20,758,512	21,277,475	21,809,412
Growth rate									
Annual incidence of DME (CSME)	232,700	238,518	244,480	250,592	256,857	263,279	269,861	276,607	283,522
% of diagnosed diabetics	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
Effectively treated by laser	(69,810)	(71,555)	(73,344)	(75,178)	(77,057)	(78,984)	(80,958)	(82,982)	(85,057)
percentage	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
New patients available	162,890	166,962	171,136	175,415	179,800	184,295	188,902	193,625	198,466
Treatable population, year end <i>(assumed = trailing 3 yrs incidence)</i>			500,989	513,513	526,351	539,510	552,998	566,823	580,993
Iluvien									
Market share					1.9%	4.8%	7.8%	12.0%	15.0%
Total patients					10,001	25,896	43,134	68,019	87,149
Total units sold					13,215	28,057	37,950	64,474	80,312
Price per unit (net)					\$6,750	\$6,750	\$6,750	\$6,750	\$6,750
Net US sales					\$89,199	\$189,384	\$256,164	\$435,201	\$542,103
Assumed retreatment rates									
Bilateral disease (second eye)					40%	40%	40%	40%	40%
Second treatment					50%	50%	50%	50%	50%
Third treatment					25%	25%	25%	25%	25%

Source: Company data, Credit Suisse estimates

Exhibit 4: Alimera Income Statement Forecast
n thousands, unless otherwise stated

	FY 2007	FY 2008	FY 2009	1Q10A	2Q10A	3Q10A	4Q10E	FY 2010E	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
Iluvien - US									\$89,199	\$189,384	\$256,164	\$435,201	\$542,103
Iluvien - ROW royalty (based on below sales)									\$0	\$2,028	\$7,575	\$10,247	\$17,408
Total net sales									\$89,199	\$191,412	\$263,739	\$445,448	\$559,511
Iluvien - ROW sales										\$10,139	\$37,877	\$51,233	\$87,040
% of prior year's US sales										11%	20%	20%	20%
COGS									3,304	7,014	9,488	16,119	20,078
Profit Sharing									7,979	26,316	39,276	72,520	92,530
Gross margin									77,917	158,082	214,976	356,809	446,903
R&D Expense	8,363	13,964	15,057	3,065	4,140	3,276	3,000	13,481	8,367	13,231	16,451	17,846	19,380
Marketing Expense	969	1,259	752	247	379	1,583	5,000	7,209	27,000	27,000	27,000	24,200	26,620
Sales Force Expense	0	0	0	0	0	0	1,056	1,056	13,650	14,333	15,049	15,802	16,592
Logistics	0	0	0	0	0	0	0	0	5,352	11,485	15,824	26,727	33,571
G&A	3,184	3,758	3,407	904	1,174	1,260	1,364	4,702	6,062	7,275	8,584	9,958	11,551
Total SG&A	4,153	5,017	4,159	1,151	1,553	2,843	7,420	12,967	52,064	60,092	66,458	76,686	88,333
Total expenses	12,516	18,981	19,216	4,216	5,693	6,119	10,420	26,448	60,431	73,323	82,908	94,532	107,714
Operating Income/EBIT	(12,516)	(18,981)	(19,216)	(4,216)	(5,693)	(6,119)	(10,420)	(\$26,448)	\$17,486	\$84,758	\$132,067	\$262,277	\$339,190
Interest Income	1,079	585	37	\$2	\$14	\$37	\$14	67	73	237	496	889	1,531
Interest Expense	(2)	(1,514)	(1,897)	(474)	(144)	0	(55)	(673)	(1,231)	(932)	(532)	0	0
Pretax Income/(Loss)	(\$11,439)	(\$19,910)	(\$21,076)	(\$4,688)	(\$5,823)	(\$6,082)	(\$10,461)	(\$27,054)	\$16,327	\$84,063	\$132,031	\$263,166	\$340,720
Tax Expense/(benefit), fully taxed				0	0	0	0	0	7,422	32,448	50,964	101,582	131,518
Net income from continuing operations	(\$11,439)	(\$19,910)	(\$21,076)	(\$4,688)	(\$5,823)	(\$6,082)	(\$10,461)	(\$27,054)	\$8,905	\$51,615	\$81,067	\$161,584	\$209,202
Benefit Conv Feature of Pfd Stock			(355)										
Preferred stock accretion	(248)	(718)	(623)	(359)	(107)			(466)					
Preferred stock dividends	(4,685)	(6,573)	(7,225)	(2,025)	(613)	0	0	(2,638)	0	0	0	0	0
Net income to common	(\$16,372)	(\$27,201)	(\$29,279)	(\$7,072)	(\$6,543)	(\$6,082)	(\$10,461)	(\$30,158)	\$8,905	\$51,615	\$81,067	\$161,584	\$209,202
Wtd Avg Shares (diluted)	1,500	1,510	1,517	1,619	24,293	31,146	31,155	22,053	32,792	33,719	34,313	34,877	35,541
Earnings per Share (diluted)	(\$10.92)	(\$18.01)	(\$19.30)	(\$4.37)	(\$0.27)	(\$0.20)	(\$0.34)	(\$1.37)	\$0.27	\$1.53	\$2.36	\$4.63	\$5.89

Margins & Growth**Margin Analysis**

ROW royalty, % of sales										20.0%	20.0%	20.0%	20.0%
Gross margin, excl profit share									96.3%	96.3%	96.4%	96.4%	96.4%
Gross margin									87.4%	82.6%	81.5%	80.1%	79.9%
Rsch & Devel. % sales									9.4%	6.9%	6.2%	4.0%	3.5%
Marketing % sales									30.3%	14.1%	10.2%	5.4%	4.8%
Sales force % sales									15.3%	7.5%	5.7%	3.5%	3.0%
Logistics % sales									6.0%	6.0%	6.0%	6.0%	6.0%
G&A % sales									6.8%	3.8%	3.3%	2.2%	2.1%
Total SG&A % sales									58.4%	31.4%	25.2%	17.2%	15.8%
EBIT margin									19.6%	44.3%	50.1%	58.9%	60.6%
Effective tax rate									38.6%	38.6%	38.6%	38.6%	38.6%
Net margin									10.0%	27.0%	30.7%	36.3%	37.4%

Growth Analysis

Net sales										114.6%	37.8%	68.9%	25.6%
Gross margin										102.9%	36.0%	66.0%	25.3%
Research & Development								(37.9%)		58.1%	10.0%	10.0%	10.0%
Marketing		29.9%	(40.3%)					858.6%	274.5%	0.0%	0.0%	(10.4%)	10.0%
Sales force									1192.3%	5.0%	5.0%	5.0%	5.0%
Logistics										114.6%	37.8%	68.9%	25.6%
G&A		18.0%	(9.3%)					38.0%	28.9%	20.0%	18.0%	16.0%	16.0%
Total SG&A		20.8%	(17.1%)					211.8%	301.5%	15.4%	10.6%	15.4%	15.2%
EBIT									(166.1%)	384.7%	55.8%	98.6%	29.3%
Net income									(129.5%)	479.6%	57.1%	99.3%	29.5%
Earnings per Share										463.7%	54.3%	96.1%	27.1%

Source: Company data, Credit Suisse estimates

Exhibit 5: Alimera Balance Sheet Forecast*n thousands, unless otherwise stated*

	FY 2008	FY 2009	1Q10A	2Q10A	3Q10A	4Q10E	FY 2010E	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
ASSETS												
Current Assets												
Cash & cash equivalents	\$17,875	\$4,858	\$14,178	\$45,635	\$14,711	\$34,425	\$34,425	\$31,385	\$99,160	\$177,764	\$306,182	\$499,046
Investments				14,544	39,966	0	0	0	0	0	0	0
Accounts receivable								30,978	54,989	65,935	111,362	139,878
Inventory					0	452	452	1,522	2,372	4,030	5,019	4,280
Prepaid Expenses	1,593	634	751	1,112	833	697	697	767	844	928	1,021	1,123
Prelaunch Costs Receivable - pSivida								1,015	0	0	0	0
Other current assets		815	1,093									
Total current assets	\$19,468	\$6,307	\$16,022	\$61,291	\$55,510	\$35,575	\$35,575	\$65,667	\$157,365	\$248,656	\$423,584	\$644,328
Long-term Assets												
Property and Equipment, net	796	254	229	237	262	244	244	202	168	148	133	123
Deferred tax assets				0	0	0	0	45,760	13,312	0	0	0
Other assets						25,000	25,000	22,500	20,000	17,500	15,000	12,500
TOTAL ASSETS	\$20,264	\$6,561	\$16,251	\$61,528	\$55,772	\$60,819	\$60,819	\$134,130	\$190,845	\$266,304	\$438,717	\$656,951
LIABILITIES AND EQUITY												
Current Liabilities												
Accounts Payable & Accrued Interest	\$1,575	\$1,758	\$2,841	\$1,457	\$1,517	\$9,364	\$9,364	\$12,720	\$15,328	\$16,965	\$19,683	\$22,780
Accrued Expenses	2,308	3,314	2,258	2,498	2,980	3,645	3,645	5,833	9,332	4,371	4,836	5,769
Outsourced Services Payable	1,024	1,157	1,440	1,240	798	798	798	798	798	798	798	798
Note Payable		4,500	6,000	0	0	0	0	0	0	0	0	0
Capital Lease Obligations	10	6	5	10	10	0	0	0	0	0	0	0
Total Current Liabilities	\$4,917	\$10,735	\$12,544	\$5,205	\$5,305	\$13,807	\$13,807	\$19,351	\$25,458	\$22,134	\$25,317	\$29,348
Long-term Liabilities												
Note Payable, less Current Portion	15,000	10,500	9,000	0	0	6,250	6,250	10,185	4,630	0	0	0
Capital Lease Obligations	6											
Profit Share Payable to pSivida								2,765	7,228	9,819	18,130	23,133
Fair Value of Prd Stk Conv Feature	12,656	36,701	36,907	0	0	0	0	0	0	0	0	0
Other Long-term Liabilities	555	708	524	25	23	779	779	857	942	697	33	31
Total Long-term Liabilities	28,217	47,909	46,431	25	23	7,029	7,029	13,807	12,800	10,516	18,163	23,163
Preferred Stock												
Series A Redeemable Preferred Stock	34,199	36,467	37,026									
Series B Redeemable Preferred Stock	37,963	40,617	41,271									
Series C Redeemable Preferred Stock	30,855	33,452	34,092									
Series C-1 Redeemable Preferred Stock		2,853	11,382									
Total Preferred Stock	103,017	113,389	123,771									
Shareholders' Equity												
Common Stock	51	54	56	351	351	351	351	351	351	351	351	351
Add'l Paid-in Capital	3,474	4,836	5,090	232,412	232,640	232,640	232,640	232,640	232,640	232,640	232,640	232,640
Series C-1 Preferred Warrants		1,472	0	0	0	0	0	0	0	0	0	0
Common Stock Warrants	58	57	57	54	54	54	54	54	54	54	54	54
Retained Earnings/(deficit)	(119,470)	(171,891)	(171,698)	(176,519)	(182,601)	(193,062)	(193,062)	(132,073)	(80,458)	608	162,192	371,395
Total shareholders' equity	(115,887)	(165,472)	(166,495)	56,298	50,444	39,983	39,983	100,972	152,587	233,653	395,237	604,440
TOTAL LIABILITIES & EQUITY	\$20,264	\$6,561	\$16,251	\$61,528	\$55,772	\$60,819	\$60,819	\$134,130	\$190,845	\$266,304	\$438,717	\$656,951

Source: Company data, Credit Suisse estimates

Exhibit 6: Alimera Cash Flow Statement Forecast*n thousands, unless otherwise stated*

	FY 2008	FY 2009	2010	2010	2010	2010	FY 2010E	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
			1Q10	2Q10E	3Q10	4Q10						
STATEMENT OF CASH FLOWS												
Net income/(loss)	(\$61,464)	(\$44,218)	\$2,577	(\$4,101)	(\$6,082)	(\$10,461)	(\$18,067)	\$60,989	\$51,615	\$81,067	\$161,584	\$209,202
Income from Discontinued Operations			(4,000)				(4,000)					
Depreciation & Amortization	241	1,098	\$48	\$47	\$49	\$50	194	212	224	230	235	240
Change in Fair Value of Pfd Stk Conv Feature	10,454	23,142	(3,265)	(379)			(3,644)					
Stock Compensation Expense	750	551	108	271			379					
Noncash R&D Expense/Investment loss	17,809	300		5			5					
Noncash gain on extinguishment of debt				(1,343)			(1,343)					
Change in Current Assets:												
Decr/(Incr) in Accounts Receivable			0	0	0	0	0	(30,978)	(24,011)	(10,946)	(45,427)	(28,516)
Decr/(Incr) in Inventory			0	0	0	(452)	(452)	(1,070)	(850)	(1,658)	(990)	739
Decr/(Incr) in Prepaid Expenses	(1,213)	591	(118)	(481)	279	136	(184)	(70)	(77)	(84)	(93)	(102)
Decr/(Incr) in Prelaunch Costs Recvbl			0	0	0	0	0	(1,015)	1,015	0	0	0
Decr/(Incr) in Other Curr. Assets			0	0	0	0	0	0	0	0	0	0
Change in Current Liabilities:												
Incr/(decr) in Accounts Payable	615	183	962	(1,025)	60	7,847	7,844	3,356	2,608	1,637	2,718	3,098
Incr/(decr) in Accr. Exps. & Other Curr. Liabs.	85	705	(767)	675	40	655	603	2,187	3,500	(4,961)	465	933
Change in Other Assets & Liabilities:												
Decr/(Incr) in defd tax assets			0	0	0	0	0	(45,760)	32,448	13,312	0	0
Decr/(Incr) in other long-term assets	24		0	0	0	(25,000)	(25,000)	2,500	2,500	2,500	2,500	2,500
Incr/(Decr) in other long-term liabs.	540	153	(184)	186	(2)	756	756	78	86	(245)	(664)	(3)
Incr/(decr) in profit split payable			0	0	0	0	0	2,765	4,463	2,591	8,311	5,003
Cash from Discontinued Operations	43	(43)										
Cash from Operating Activities	(\$32,116)	(\$17,538)	(\$4,639)	(\$6,145)	(\$5,656)	(\$26,470)	(\$42,910)	(\$6,805)	\$73,520	\$83,443	\$128,638	\$193,095
Sale/(Purchase) of Investments				(\$14,550)	(\$25,422)	\$39,966	(\$6)	\$0	\$0	\$0	\$0	\$0
Purchase of PP&E	(640)	(65)	(\$23)	(24)	(28)	(32)	(107)	(170)	(190)	(210)	(220)	(230)
Net cash used in investing activs of cont ops			(23)	(14,574)	(25,450)	39,934	(113)	(170)	(190)	(210)	(220)	(230)
Net cash provided by investing activs of discount ops			4,000				4,000					
Cash from Investing Activities	(640)	(65)	\$3,977	(\$14,574)	(\$25,450)	\$39,934	\$3,887	(\$170)	(\$190)	(\$210)	(\$220)	(\$230)
Increase/(Decr.) in Note Payable			0	(15,000)	0	6,250	(8,750)	3,935	(5,556)	(4,630)	0	0
Proceeds from Series C Stock Offering	29,938						0					
Proceeds from Series C-1 Stock Offering		4,897					0					
Proceeds from Exercise of Stock Options		7		20			20					
Repurchase of Common Stock	(150)						0					
Proceeds from Common Stock Offering				68,395			68,395					
Proceeds from Exercise of C-1 Warrants	6	31	9,998	(1)			9,997					
Proceeds from Exercise of Common Warrants			148	310	182		640					
Deferred Offering Costs		(339)	(163)	(1,545)			(1,708)					
Payments on Capital Lease Obligations	(10)	(10)	(1)	(3)			(4)					
Cash from Financing Activities	\$29,784	\$4,586	\$9,982	\$52,176	\$182	\$6,250	\$68,590	\$3,935	(\$5,556)	(\$4,630)	\$0	\$0
Net Increase/(Decrease) in Cash	(\$2,972)	(\$13,017)	\$9,320	\$31,457	(\$30,924)	\$19,714	\$29,567	(\$3,040)	\$67,774	\$78,604	\$128,418	\$192,865
Cash at beginning of year	20,847	17,875	\$4,858	\$14,178	\$45,635	\$14,711	\$4,858	34,425	31,385	99,160	177,764	306,182
Cash at end of year	\$17,875	\$4,858	\$14,178	\$45,635	\$14,711	\$34,425	\$34,425	\$31,385	\$99,160	\$177,764	\$306,182	\$499,046

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 03 Nov 10)

Alimera Sciences (ALIM, \$11.15, OUTPERFORM [V], TP \$16)

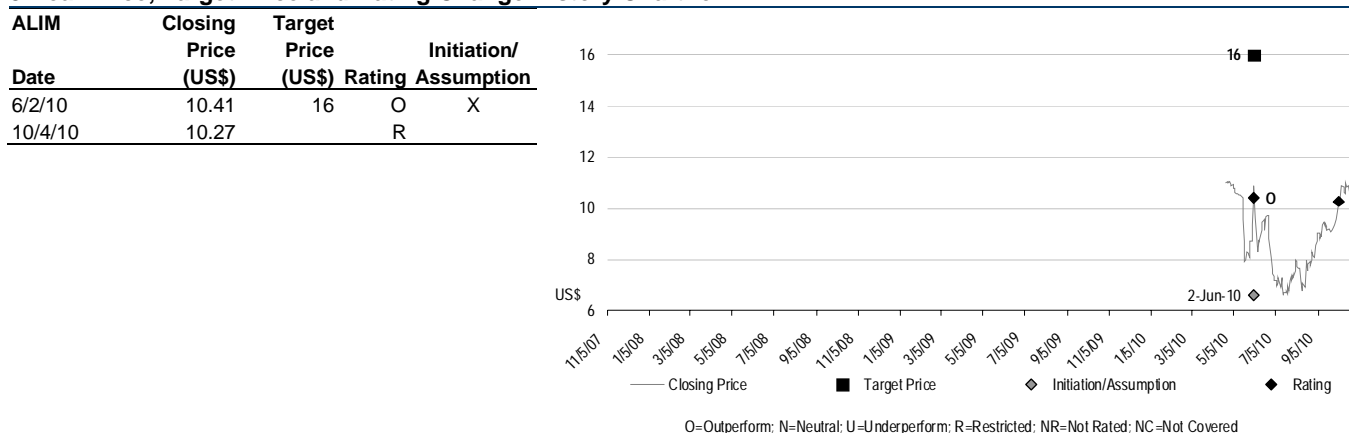
Disclosure Appendix

Important Global Disclosures

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3-Year Price, Target Price and Rating Change History Chart for ALIM



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Price Target: (12 months) for (ALIM)

Method: Our \$16 target price for ALIM is based on a discounted cash flow analysis (DCF). We have estimated ALIM's future cash flows by forecasting the company's income statement, balance sheet and cash flows through 2020 (the year of patent expiration), and by assuming a fading of cash flows to zero by 2030, with no terminal value. We have used this methodology because we believe that the vast majority of ALIM's value is attributable to a single product, Iluvien, with a finite commercial life. We have applied a 75% probability of success adjustment to our cash flow estimates to account for the risks to approval and launch of the Iluvien. We have used a 12% discount rate for our DCF, applied to the probability-adjusted cash flows. Our ALIM revenue forecast is based on our estimates for the addressable patient population in diabetic macular edema, and our assumption that Iluvien will achieve a peak penetration rate of 15%.

Risks: Risks to our \$16 target price include: (1) single product risk (ALIM's value is virtually entirely attributable to Iluvien, and the company's near to medium term revenues, profits and value depend on the FDA's approval and Alimera's successful commercialization of Iluvien in diabetic macular edema. There is little visibility on additional indications for Iluvien or on the new product pipeline; (2) regulatory risk to timely Iluvien approval, due to missed statistical significance on the MART data set, the possibility that the FDA may wait for 3 year FAME data before issuing an approval decision, and the the possibility that FDA may not grant priority review; (3) commercial risk, due to the presence of several established treatments for DME and competing companies that are better-capitalized and have a longer-standing presence in the ophthalmology community than ALIM; (4) liquidity and financing risk, due to the potential need for ALIM to raise additional funds, particularly if Iluvien approval is delayed beyond the expected December 2010; and (5) reimbursement risk, as securing reimbursement from payors is crucial to Iluvien's success and the fact that Iluvien will compete against some relatively inexpensive products.

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