

Alimera Sciences

(ALIM)

Rating	OUTPERFORM* [V]
Price (14 Feb 11, US\$)	9.00
Target price (US\$)	13.00 ¹
52-week price range	12.19 - 6.62
Market cap. (US\$ m)	280.64
Enterprise value (US\$ m)	282.24

*Stock ratings are relative to the relevant country benchmark.

¹Target price is for 12 months.

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

Research Analysts

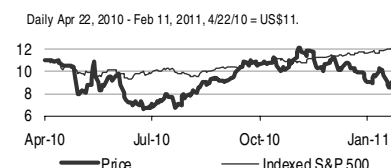
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EARNINGS

FDA Panel Shouldn't Change Iluvien's Course

- **Iluvien will likely be the subject of an FDA advisory committee.** ALIM announced with 4Q:2010 earnings on Feb. 10 that FDA has told management that an advisory panel for Iluvien is highly likely.
- **Bottom line:** an FDA panel to review Iluvien adds some risk to approval, but does not change our views on the probability of approval or result in any revisions to our model.
- **What's potentially concerning:** all signs from the company (and from FDA, as per the company) had indicated that a panel was not likely to be required. The timing of this news, post the CRL, could be indicative of specific issues with Iluvien rather than a general concern about a new treatment.
- **What's not concerning:** Iluvien is a novel treatment in a category with no approved drugs. There is precedent for FDA to call panels for novel retinal drugs, such as Visudyne and Macugen (both of which were approved).
- **Cash flow manageable:** ALIM stated that they are seeking to renegotiate the second \$6.25 MM tranche of their term loan. We project that ALIM will turn cash flow positive in 2Q12, and will need about \$17 MM of financing in 1Q12, which could come from the renegotiated term loan, ALIM's \$20 MM credit line, or financing the \$25 MM approval milestone payment.
- **FAME 3 year data presentation at Angiogenesis meeting on Feb. 12 reinforces our impression that Iluvien remains on track for approval** as we wrote after management's presentation on Feb. 4.
- **Earnings were a non-event as expected.** ALIM reported -\$0.20 EPS, meeting our estimate, and above consensus of -\$0.22. **Our EPS are revised as follows:** 2011, from -\$0.70 to -\$0.86; 2012, from \$0.71 to \$0.66; 2013, from \$1.81 to \$1.77; all due to modestly increased expense estimates.

Share price performance



On 02/11/11 the S&P 500 index closed at 1329.15

Quarterly EPS	Q1	Q2	Q3	Q4
2010A	-4.37	-0.27	-0.20	-0.20
2011E	-0.19	-0.19	-0.21	-0.27
2012E	0.05	0.08	0.24	0.30

Financial and valuation metrics

Year	12/10A	12/11E	12/12E	12/13E
EPS (CS adj.) (US\$)	-1.17	-0.86	0.66	1.77
Prev. EPS (US\$)	—	-0.70	0.71	1.81
P/E (x)	NM	NM	13.6	5.1
P/E rel. (%)	NM	NM	114.5	—
Revenue (US\$ m)	—	—	126.6	220.0
EBITDA (US\$ m)	-21.9	-26.0	40.3	101.8
OCFPS (US\$)	-1.15	-1.61	0.11	3.03
P/OCF (x)	-9.0	-5.6	85.1	3.0
EV/EBITDA (current)	-11.8	-10.9	6.9	1.7
Net debt (US\$ m)	-23	2	-2	-106
ROIC (%)	-97.56	-130.27	23.39	109.21
Number of shares (m)	31.18	IC (12/11E, US\$ m)		19.68
BV/share (current, US\$)	1.4	EV/IC (x)		14.3
Net debt (current, US\$ m)	-54.7	Dividend (12/10A, US\$)		—
Net debt/tot. cap. (current, %)	-15.4	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.

ALIM 4Q 2010 Variance Analysis

ALIM's 4Q results were largely in line with our expectations, with EPS coming in at our -\$0.20 estimate.

Exhibit 1: ALIM 4Q10 Variance Analysis

in millions, unless otherwise stated

	4Q 2010			Consensus
	CS Forecast	Reported	VARIANCE	
R&D Expense	\$3,000	\$2,100	(\$900)	
Marketing Expense	1,700	2,671	971	
Sales Force Expense	0	0	0	
G&A	1,364	1,272	(92)	
Total expenses	6,064	6,043	(21)	
Operating Income/EBIT	(\$6,064)	(\$6,043)	\$21	
Interest Income	14	20	6	
Interest Expense	(55)	(230)	(175)	
Pretax Income/(Loss)	(6,105)	(6,253)	(148)	
Net income from continuing operations	(\$6,105)	(\$6,253)	(\$148)	
Net income to common	(6,105)	(6,253)	(148)	
Wtd Avg Shares (diluted)	31,185	31,210	25	(\$0.20) High
Earnings per Share	(\$0.20)	(\$0.20)	(\$0.00)	(\$0.22) Mean (\$0.26) Low

Source: Company data, Credit Suisse estimates

Cash Liquidity

We estimate that ALIM will turn (operating) cash flow positive in 2Q12. This is based upon an assumed 1Q12 Illuvien launch in our model; the company is targeting a 4Q11 launch.

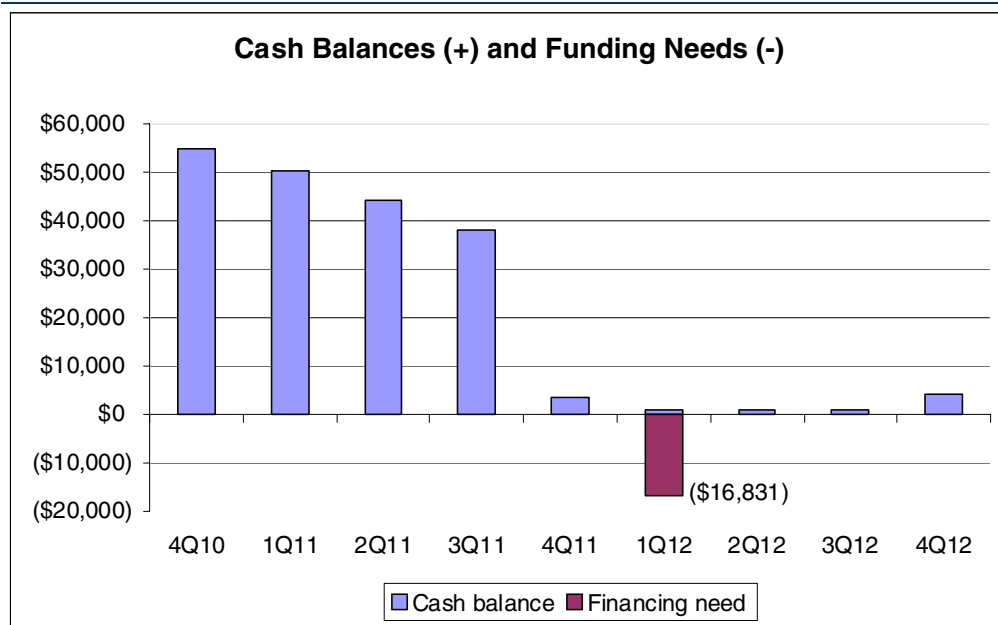
We believe that under this timeline, ALIM will need about \$17 MM of additional financing in 1Q12 (Exhibit 2) before reaching positive cash flow. This forecast assumes that ALIM makes its \$25 MM approval milestone payment to Psivida in 4Q11.

ALIM has several alternative funding sources, and we believe it should be able to meet this temporary funding need. These sources could include:

- **Renegotiated second term loan tranche.** ALIM borrowed the first \$6.25 MM tranche in October 2010, and has an optional \$6.25 MM second tranche, but it expires if Illuvien is not FDA-approved by July 2011. As approval is now unlikely in that time frame, ALIM is seeking to renegotiate the loan terms and preserve access to these funds. The interest rate was 11.5%-12% per the original terms of the loan, but this could change as part of a renegotiation.
- **Line of credit.** ALIM has a \$20 MM line of credit in place, untapped at 12/31/2011, with an interest rate of prime + 2.5%, with a 6.5% floor.
- **Financing ALIM's milestone payment to Psivida.** ALIM owes Psivida \$25 MM upon Illuvien approval. We project payment in 4Q11, which heavily drives our forecasted 1Q12 cash need. However, ALIM may decide to pursue a short term financing of this milestone payment, borrowing against near term.

Exhibit 2: ALIM May Need Approx. \$17 MM of Financing in 1Q:2012

in thousands, unless otherwise stated



Source: Company data, Credit Suisse estimates. Assumes \$1 MM minimum cash balance.

Summary of Model Changes

Exhibit 3: ALIM Summary of Model Changes
in thousands, unless otherwise stated

	1Q10A	2Q10A	3Q10A	4Q10A	FY 2010	1Q11E	2Q11E	3Q11E	4Q11E	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
Total Net Sales														
Old	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$126,568	\$220,049	\$288,758	\$470,448
Revised	0	0	0	0	0	0	0	0	0	0	126,568	220,049	288,758	470,448
Change	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Margin														
Old	0	0	0	0	0	0	0	0	0	0	108,582	180,789	234,294	377,197
Revised	0	0	0	0	0	0	0	0	0	0	108,780	181,447	235,018	377,993
Change	0	0	0	0	0	0	0	0	0	0	198	658	724	796
R&D Expense														
Old	3,065	4,140	3,276	3,000	13,481	1,000	1,000	1,000	1,000	4,000	6,700	15,500	16,800	18,230
Revised	<u>3,065</u>	<u>4,140</u>	<u>3,276</u>	<u>2,100</u>	<u>12,581</u>	<u>2,100</u>	<u>1,600</u>	<u>1,000</u>	<u>1,000</u>	<u>5,700</u>	<u>8,200</u>	<u>15,500</u>	<u>16,800</u>	<u>18,230</u>
Change	0	0	0	(900)	(900)	1,100	600	0	0	1,700	1,500	0	0	0
Marketing Expense														
Old	247	379	1,583	1,700	3,909	1,700	1,700	1,700	5,000	10,100	33,000	27,000	24,200	26,620
Revised	<u>247</u>	<u>379</u>	<u>1,583</u>	<u>2,671</u>	<u>4,880</u>	<u>2,300</u>	<u>2,700</u>	<u>4,000</u>	<u>4,500</u>	<u>13,500</u>	<u>33,990</u>	<u>30,289</u>	<u>27,818</u>	<u>30,600</u>
Change	0	0	0	971	971	600	1,000	2,300	(500)	3,400	990	3,289	3,618	3,980
Sales Force Expense														
Old	0	0	0	0	0	0	0	0	1,109	1,109	14,333	15,049	15,802	16,592
Revised	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,109</u>	<u>1,109</u>	<u>14,333</u>	<u>15,049</u>	<u>15,802</u>	<u>16,592</u>
Change	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G&A Expense														
Old	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
Revised	<u>904</u>	<u>1,174</u>	<u>1,260</u>	<u>1,272</u>	<u>4,610</u>	<u>1,356</u>	<u>1,409</u>	<u>1,512</u>	<u>1,590</u>	<u>5,867</u>	<u>7,040</u>	<u>8,307</u>	<u>9,637</u>	<u>11,178</u>
Change	0	0	0	(92)	(92)	(90)	(59)	0	(46)	(195)	(235)	(277)	(321)	(372)
EBIT														
Old	(4,216)	(5,693)	(6,119)	(6,064)	(22,092)	(4,146)	(4,168)	(4,212)	(8,745)	(21,271)	39,680	101,453	150,209	275,978
Revised	<u>(4,216)</u>	<u>(5,693)</u>	<u>(6,119)</u>	<u>(6,043)</u>	<u>(22,071)</u>	<u>(5,756)</u>	<u>(5,709)</u>	<u>(6,512)</u>	<u>(8,199)</u>	<u>(26,176)</u>	<u>37,623</u>	<u>99,098</u>	<u>147,636</u>	<u>273,167</u>
Change	0	0	0	21	21	(1,610)	(1,541)	(2,300)	546	(4,905)	(2,057)	(2,354)	(2,573)	(2,811)
Net income from cont. ops.														
Old	(\$4,688)	(\$5,823)	(\$6,082)	(\$6,105)	(\$22,698)	(\$4,280)	(\$4,309)	(\$4,357)	(\$8,880)	(\$21,826)	\$23,965	\$62,208	\$92,576	\$170,057
Revised	<u>(\$4,688)</u>	<u>(\$5,823)</u>	<u>(\$6,082)</u>	<u>(\$6,253)</u>	<u>(\$22,846)</u>	<u>(\$5,895)</u>	<u>(\$5,851)</u>	<u>(\$6,652)</u>	<u>(\$8,327)</u>	<u>(\$26,724)</u>	<u>22,398</u>	<u>60,777</u>	<u>90,973</u>	<u>168,317</u>
Change	\$0	\$0	\$0	(\$148)	(\$148)	(\$1,614)	(\$1,542)	(\$2,295)	\$553	(\$4,899)	(\$1,567)	(\$1,430)	(\$1,603)	(\$1,741)
EPS														
Old	(\$4.37)	(\$0.27)	(\$0.20)	(\$0.20)	(\$1.17)	(\$0.14)	(\$0.14)	(\$0.14)	(\$0.28)	(\$0.70)	\$0.71	\$1.81	\$2.65	\$4.78
Revised	<u>(\$4.37)</u>	<u>(\$0.27)</u>	<u>(\$0.20)</u>	<u>(\$0.20)</u>	<u>(\$1.17)</u>	<u>(\$0.19)</u>	<u>(\$0.19)</u>	<u>(\$0.21)</u>	<u>(\$0.27)</u>	<u>(\$0.86)</u>	<u>\$0.66</u>	<u>\$1.77</u>	<u>\$2.61</u>	<u>\$4.73</u>
Change	\$0.00	\$0.00	\$0.00	(\$0.00)	(\$0.00)	(\$0.05)	(\$0.05)	(\$0.07)	\$0.02	(\$0.16)	(\$0.05)	(\$0.04)	(\$0.05)	(\$0.05)
Consensus as of 2/9/2011				(\$0.22)	(\$1.17)	(\$0.20)	(\$0.19)	(\$0.19)	(\$0.25)	(\$0.79)	\$0.63	\$1.65	\$2.53	

Source: Company data, Credit Suisse estimates

ALIM Model

Our ALIM model begins on the following page.

Exhibit 4: Alimera Summary of Revenue Model
in thousands, unless otherwise stated

	FY 2007	FY 2008	FY 2009	FY 2010A	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					0.0%	2.5%	5.5%	8.5%	12.5%
Total patients					-	13,488	30,415	48,180	72,624
Total units sold					-	18,292	31,502	40,889	67,243
Price per unit (net)					\$6,750	\$6,750	\$6,750	\$6,750	\$6,750
Net US sales					\$0	\$123,468	\$212,641	\$276,000	\$453,888
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 5: Alimera Income Statement Forecast
n thousands, unless otherwise stated

	FY 2007	FY 2008	FY 2009	FY 2010	1Q11E	2Q11E	3Q11E	4Q11E	FY 2011E	FY 2012E	FY 2013E	FY 2014E
Iluvien - US					\$0	\$0	\$0	\$0	\$0	\$123,468	\$212,641	\$276,000
Iluvien - ROW royalty (based on below sales)									\$0	\$3,100	\$7,408	\$12,758
Total net sales					\$0	\$0	\$0	\$0	\$0	\$126,568	\$220,049	\$288,758
Iluvien - ROW sales										\$15,500	\$37,040	\$63,792
% of prior year's US sales										NA	30%	30%
COGS					0	0	0	0	0	4,573	7,876	10,222
Profit Sharing										13,216	30,726	43,518
Gross margin					0	0	0	0	0	108,780	181,447	235,018
R&D Expense	8,363	13,964	15,057	12,581	2,100	1,600	1,000	1,000	5,700	8,200	15,500	16,800
Marketing Expense	969	1,259	752	4,880	2,300	2,700	4,000	4,500	13,500	33,990	30,289	27,818
Sales Force Expense	0	0	0	0	0	0	0	1,109	1,109	14,333	15,049	15,802
Logistics	0	0	0	0	0	0	0	0	0	7,594	13,203	17,325
G&A	3,184	3,758	3,407	4,610	1,356	1,409	1,512	1,590	5,867	7,040	8,307	9,637
Total SG&A	4,153	5,017	4,159	9,490	3,656	4,109	5,512	7,199	20,476	62,957	66,848	70,582
Total expenses	12,516	18,981	19,216	22,071	5,756	5,709	6,512	8,199	26,176	71,157	82,348	87,382
Operating Income/EBIT	(12,516)	(18,981)	(19,216)	(\$22,071)	(5,756)	(5,709)	(6,512)	(8,199)	(\$26,176)	\$37,623	\$99,098	\$147,636
Interest Income	1,079	585	37	73	41	38	33	29	140	8	20	528
Interest Expense	(2)	(1,514)	(1,897)	(848)	(180)	(180)	(173)	(156)	(689)	(1,153)	(133)	0
Pretax Income/(Loss)	(\$11,439)	(\$19,910)	(\$21,076)	(\$22,846)	(\$5,895)	(\$5,851)	(\$6,652)	(\$8,327)	(\$26,724)	\$36,478	\$98,986	\$148,164
Tax Expense/(benefit), fully taxed				0	0	0	0	0	0	14,081	38,208	57,191
Net income from continuing operations	(\$11,439)	(\$19,910)	(\$21,076)	(\$22,846)	(\$5,895)	(\$5,851)	(\$6,652)	(\$8,327)	(\$26,724)	\$22,398	\$60,777	\$90,973
Benefit Conv Feature of Pfd Stock			(355)									
Preferred stock accretion	(248)	(718)	(623)	(466)								
Preferred stock dividends	(4,685)	(6,573)	(7,225)	(2,638)	0	0	0	0	0	0	0	0
Net income to common	(\$16,372)	(\$27,201)	(\$29,279)	(\$25,950)	(\$5,895)	(\$5,851)	(\$6,652)	(\$8,327)	(\$26,724)	\$22,398	\$60,777	\$90,973
<i>Wtd Avg Shares (diluted)</i>	<i>1,500</i>	<i>1,510</i>	<i>1,517</i>	<i>22,168</i>	<i>31,191</i>	<i>31,197</i>	<i>31,204</i>	<i>31,210</i>	<i>31,200</i>	<i>33,759</i>	<i>34,331</i>	<i>34,893</i>
Earnings per Share (diluted)	(\$10.92)	(\$18.01)	(\$19.30)	(\$1.17)	(\$0.19)	(\$0.19)	(\$0.21)	(\$0.27)	(\$0.86)	\$0.66	\$1.77	\$2.61
Margins & Growth												
Margin Analysis												
ROW royalty, % of sales					20.0%	20.0%	20.0%	20.0%		20.0%	20.0%	20.0%
Gross margin, excl profit share										96.4%	96.4%	96.5%
Gross margin										85.9%	82.5%	81.4%
Rsch & Devel. % sales										6.5%	7.0%	5.8%
Marketing % sales										26.9%	13.8%	9.6%
Sales force % sales										11.3%	6.8%	5.5%
Logistics % sales					6.0%	6.0%	6.0%	6.0%		6.0%	6.0%	6.0%
G&A % sales										5.6%	3.8%	3.3%
Total SG&A % sales										49.7%	30.4%	24.4%
EBIT margin										29.7%	45.0%	51.1%
Effective tax rate					38.6%	38.6%	38.6%	38.6%	38.6%	38.6%	38.6%	38.6%
Net margin										17.7%	27.6%	31.5%
Growth Analysis												
Net sales											73.9%	31.2%
Gross margin											66.8%	29.5%
Research & Development					50.0%	0.0%	10.0%	(5.0%)	(54.7%)	43.9%	10.0%	10.0%
Marketing	29.9%	(40.3%)		548.9%					176.6%	151.8%	(10.9%)	(8.2%)
Sales force									#DIV/0!	1192.3%	5.0%	5.0%
Logistics											73.9%	31.2%
G&A	18.0%	(9.3%)		35.3%	50.0%	20.0%	20.0%	25.0%	27.3%	20.0%	18.0%	16.0%
Total SG&A	20.8%	(17.1%)		128.2%					115.8%	207.5%	6.2%	5.6%
EBIT									18.6%	(243.7%)	163.4%	49.0%
Net income									3.0%	(183.8%)	171.4%	49.7%
Earnings per Share											166.8%	47.3%

Source: Company data, Credit Suisse estimates

Exhibit 6: Alimera Balance Sheet Forecast*n thousands, unless otherwise stated*

	FY 2008	FY 2009	FY 2010A	1Q11	2Q11	3Q11	4Q11	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
ASSETS												
Current Assets												
Cash & cash equivalents	\$17,875	\$4,858	\$28,514	\$50,365	\$44,048	\$38,050	\$3,488	\$3,488	\$4,088	\$105,603	\$192,925	\$331,890
Investments			26,330	0	0	0	0	0	0	0	0	0
Accounts receivable				0	0	0	0	0	40,405	55,012	72,190	117,612
Inventory				0	0	0	850	850	1,969	2,556	4,203	4,724
Prepaid Expenses	1,593	634	1,078	826	1,223	916	1,186	1,186	1,304	1,435	1,578	1,736
Prelaunch Costs Receivable - pSivida									5,180	0	0	0
Other current assets		815	272									
Total current assets	\$19,468	\$6,307	\$56,194	\$51,191	\$45,271	\$38,966	\$5,523	\$5,523	\$52,947	\$164,606	\$270,896	\$455,962
Long-term Assets												
Property and Equipment, net	796	254	220	205	193	184	178	178	144	124	109	99
Deferred tax assets			0	0	0	0	0	0	46,583	8,375	0	0
Other assets							25,000	\$25,000	\$22,500	\$20,000	\$17,500	\$15,000
TOTAL ASSETS	\$20,264	\$6,561	\$56,414	\$51,396	\$45,464	\$39,150	\$30,701	\$30,701	\$122,174	\$193,104	\$288,505	\$471,061
LIABILITIES AND EQUITY												
Current Liabilities												
Accounts Payable & Accrued Interest	\$1,575	\$1,758	\$1,677	\$1,600	\$2,120	\$2,393	\$3,245	\$3,245	\$10,764	\$18,794	\$20,451	\$26,261
Accrued Expenses	2,308	3,314	2,731	2,800	2,748	3,278	3,004	3,004	3,305	3,635	3,998	4,398
Outsourced Services Payable	1,024	1,157	841	841	841	841	841	841	841	841	841	841
Note Payable		4,500	1,157	1,852	2,546	2,778	2,778	2,778	2,315	0	0	0
Capital Lease Obligations	10	6	11	11	11	11	11	11	11	11	11	11
Total Current Liabilities	\$4,917	\$10,735	\$6,417	\$7,104	\$8,266	\$9,301	\$9,879	\$9,879	\$17,235	\$23,281	\$25,301	\$31,512
Long-term Liabilities												
Note Payable, less Current Portion	15,000	10,500	4,767	4,398	3,704	3,009	2,315	2,315	0	0	0	0
Capital Lease Obligations	6											
Profit Share Payable to pSivida				0	0	0	0	0	4,376	7,682	10,880	18,911
Fair Value of Pfd Stk Conv Feature	12,656	36,701	0	0	0	0	0	0	0	0	0	0
Other Long-term Liabilities	555	708	18	576	28	25	20	20	22	824	33	31
Total Long-term Liabilities	28,217	47,909	4,785	4,975	3,731	3,035	2,335	2,335	4,398	8,506	10,913	18,942
Preferred Stock												
Series A Redeemable Preferred Stock	34,199	36,467										
Series B Redeemable Preferred Stock	37,963	40,617										
Series C Redeemable Preferred Stock	30,855	33,452										
Series C-1 Redeemable Preferred Stock		2,853										
Total Preferred Stock	103,017	113,389										
Shareholders' Equity												
Common Stock	51	54	313	313	313	313	313	313	313	313	313	313
Add'l Paid-in Capital	3,474	4,836	233,338	233,338	233,338	233,338	233,338	233,338	233,338	233,338	233,338	233,338
Series C-1 Preferred Warrants		1,472	0	0	0	0	0	0	0	0	0	0
Common Stock Warrants	58	57	415	415	415	415	415	415	415	415	415	415
Retained Earnings/(deficit)	(119,470)	(171,891)	(188,854)	(194,749)	(200,599)	(207,251)	(215,578)	(215,578)	(133,525)	(72,748)	18,225	186,541
Total shareholders' equity	(115,887)	(165,472)	45,212	39,317	33,467	26,815	18,488	18,488	100,541	161,318	252,291	420,607
TOTAL LIABILITIES & EQUITY	\$20,264	\$6,561	\$56,414	\$51,396	\$45,464	\$39,150	\$30,701	\$30,701	\$122,174	\$193,104	\$288,505	\$471,061

Source: Company data, Credit Suisse estimates

Exhibit 7: Alimera Cash Flow Statement Forecast*n thousands, unless otherwise stated*

	FY 2008	FY 2009	FY 2010A	2011	2011	2011	2011	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
				1Q11	2Q11	3Q11	4Q11					
STATEMENT OF CASH FLOWS												
Net income/(loss)	(\$61,464)	(\$44,218)	(\$13,859)	(\$5,895)	(\$5,851)	(\$6,652)	(\$8,327)	(\$26,724)	\$82,053	\$60,777	\$90,973	\$168,317
Income from Discontinued Operations			(4,000)									
Depreciation & Amortization	241	1,098	195	\$50	\$52	\$54	\$56	212	224	230	235	240
Change in Fair Value of Pfd Stk Conv Feature	10,454	23,142	(3,644)									
Stock Compensation Expense	750	551	567									
Noncash R&D Expense/Investment loss	17,809	300	(4)									
Noncash gain on extinguishment of debt			(1,343)									
Change in Current Assets:												
Decr/(Incr) in Accounts Receivable			0	\$0	\$0	\$0	\$0	0	(40,405)	(14,607)	(17,177)	(45,422)
Decr/(Incr) in Inventory			0	\$0	\$0	\$0	(\$850)	(850)	(1,119)	(587)	(1,647)	(521)
Decr/(Incr) in Prepaid Expenses	(1,213)	591	(565)	252	(397)	307	(270)	(108)	(119)	(130)	(143)	(158)
Decr/(Incr) in Prelaunch Costs Recvbl			0	0	0	0	0	0	(5,180)	5,180	0	0
Decr/(Incr) in Other Curr. Assets			(272)	272	0	0	0	272	0	0	0	0
Change in Current Liabilities:												
Incr/(decr) in Accounts Payable	615	183	391	(77)	520	273	852	1,568	7,519	8,030	1,657	5,811
Incr/(decr) in Accr. Exps. & Other Curr. Liab.	85	705	(258)	69	(52)	530	(274)	273	300	330	363	400
Change in Other Assets & Liabilities:												
Decr/(Incr) in defd tax assets			0	0	0	0	0	0	(46,583)	38,208	8,375	0
Decr/(Incr) in other long-term assets	24		0	0	0	0	(25,000)	(25,000)	2,500	2,500	2,500	2,500
Incr/(Decr) in other long-term liab.	540	153	(3)	558	(549)	(2)	(6)	2	2	802	(791)	(3)
Incr/(decr) in profit split payable			0	0	0	0	0	0	4,376	3,305	3,198	8,031
Cash from Discontinued Operations	43	(43)										
Cash from Operating Activities	(\$32,116)	(\$17,538)	(\$22,795)	(\$4,770)	(\$6,277)	(\$5,490)	(\$33,818)	(\$50,355)	\$3,569	\$104,040	\$87,542	\$139,195
Sale/(Purchase) of Investments			(\$26,326)	\$26,330	\$0	\$0	\$0	\$26,330	\$0	\$0	\$0	\$0
Purchase of PP&E	(640)	(65)	(129)	(35)	(40)	(45)	(50)	(170)	(190)	(210)	(220)	(230)
Net cash used in investing activs of cont ops			(26,455)	26,295	(40)	(45)	(50)	26,160	(190)	(210)	(220)	(230)
Net cash provided by investing activs of discont ops			4,000									
Cash from Investing Activities	(640)	(\$65)	(\$22,455)	\$26,295	(\$40)	(\$45)	(\$50)	\$26,160	(\$190)	(\$210)	(\$220)	(\$230)
Increase/(Decr.) in Note Payable			(9,076)	326	0	(463)	(694)	(831)	(2,778)	(2,315)	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	28									
Repurchase of Common Stock	(150)		0									
Proceeds from Common Stock Offering			69,055									
Proceeds from Exercise of C-1 Warrants	6	31	9,997									
Proceeds from Exercise of Common Warrants			850									
Deferred Offering Costs		(339)	(1,942)									
Payments on Capital Lease Obligations	(10)	(10)	(6)									
Cash from Financing Activities	\$29,784	\$4,586	\$68,906	\$326	\$0	(\$463)	(\$694)	(\$831)	(\$2,778)	(\$2,315)	\$0	\$0
Net Increase/(Decrease) in Cash	(\$2,972)	(\$13,017)	\$23,656	\$21,851	(\$6,317)	(\$5,998)	(\$34,562)	(\$25,026)	\$601	\$101,515	\$87,322	\$138,965
Cash at beginning of year	20,847	17,875	\$4,858	\$28,514	\$50,365	\$44,048	\$38,050	28,514	3,488	4,088	105,603	192,925
Cash at end of year	\$17,875	\$4,858	\$28,514	\$50,365	\$44,048	\$38,050	\$3,488	\$3,488	\$4,088	\$105,603	\$192,925	\$331,890

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 14 Feb 11)

Alimera Sciences (ALIM, \$9.00, OUTPERFORM [V], TP \$13.00)

Psvida (PSDV, 4.07)

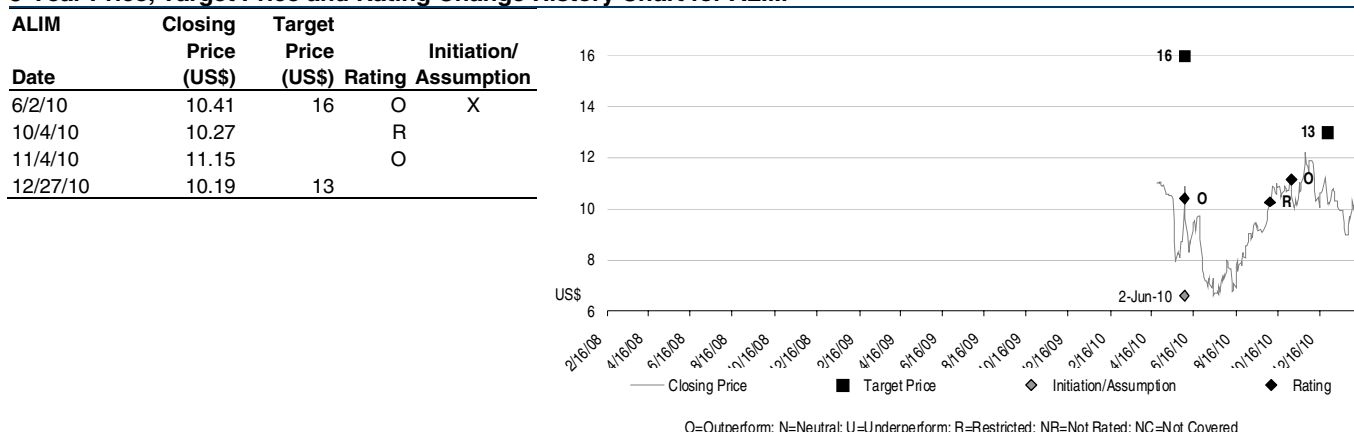
Disclosure Appendix

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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 \$13 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 65% 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 \$13 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 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; 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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