Alimera Sciences (ALIM)

Rating	**OUTPERFORM* [V]**
Price (03 Feb 11, US$)	10.14
Target price (US$)	13.00[1]
52-week price range	12.19 - 6.62
Market cap. (US$ m)	316.19
Enterprise value (US$ m)	261.50

**Stock ratings are relative to the relevant country benchmark.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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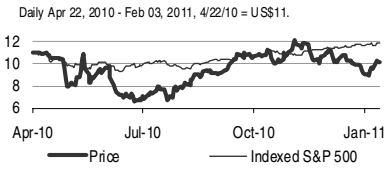
CATALYST ALERT

Mixed Data but Iluvien Remains on Track

- **Bottom line**: 3 year FAME study data had a mix of good and bad news, but on balance didn't move us to change our estimated approval probability (65%), financial projections, or target price ($13). If FDA's primary concern in waiting for the 3 year data was a desire to see continued evidence of safety and efficacy beyond 24 months, then the new data should address this.
- **The bad news**: FAME data showed efficacy that was not statistically significant at mo. 36. In addition, a key safety metric, % of patients requiring IOP-lowering surgeries, worsened from 3.7% at mo. 24 to 4.8% at mo. 36.
- **The good news**: ALIM met with FDA on Feb. 2 and was told that meeting statistical significance at 36 months was not a prerequisite for Iluvien approval. FDA's focus appears to be on seeing satisfactory risk/benefit ratio over an extended period of time, beyond the initial 24 months in the NDA, partly because the effect of cataracts on overall efficacy data was just beginning to resolve around month 24.
- **A mitigating possibility**: Iluvien's missed statistical significance at month 36 was accompanied by vision improvement in the control group in months 30-36. Substantially more control group patients than Iluvien patients received laser and off protocol treatments, which may have helped their efficacy relative to Iluvien patients if control patients continued to receive these treatments in the later months of the 3 year study while the patients in the Iluvien arm were experiencing a tapering Iluiven treatment effect.
- **Catalysts:** additional FAME data will be presented on Feb. 12. If available, a MART analysis of the 36 month data could help tease out the impact of off-protocol treatments on the control group. ALIM plans to respond to the FDA's CRL by end of 1Q, and hopes for an approval by end 3Q, though we assume year end in our model to allow for delays and dialogue with FDA.

Share price performance



On 02/03/11 the S&P 500 index closed at 1307.1

Quarterly EPS	Q1	Q2	Q3	Q4
2009A	—	—	—	—
2010E	-4.37	-0.27	-0.20	-0.20
2011E	-0.14	-0.14	-0.14	-0.28

Financial and valuation metrics

Year	12/09A	12/10E	12/11E	12/12E
EPS (CS adj.) (US$)	-19.30	-1.17	-0.70	0.71
Prev. EPS (US$)	—	—	—	—
P/E (x)	NM	NM	NM	14.3
P/E rel. (%)	NM	NM	NM	122.6
Revenue (US$ m)	—	—	—	126.6
EBITDA (US$ m)	-18.1	-21.9	-21.1	42.4
OCFPS (US$)	-16.32	-0.84	-1.46	0.43
P/OCF (x)	—	-12.3	-7.0	23.5
EV/EBITDA (current)	-18.0	-11.9	-14.6	6.9
Net debt (US$ m)	10	-55	-9	-23
ROIC (%)	45.82	213.56	-158.33	30.18

Number of shares (m)	31.18	IC (12/10E, US$ m)	-10.40
BV/share (current, US$)	1.4	EV/IC (x)	-25.1
Net debt (current, US$ m)	-54.7	Dividend (12/09A, US$)	—
Net debt/tot. cap. (current, %)	-15.4	Dividend yield (%)	—

Source: Company data, Credit Suisse estimates.

Summary of Key FAME Data Through 36 Months

Statistically Significant Efficacy Demonstrated to Month 33, with Efficacy Trend Maintained to Month 36

Exhibit 1 shows a summary of FAME efficacy data, as measured by percentage of patients reaching 15 or more letters of improved BCVA (baseline corrected visual acuity), in the full analysis data set.

Exhibit 1: 3 Year Efficacy Data Is Statistically Significant Through 33 Months, But Misses at 36 Months

	Trial A			Trial B			Combined Trial A+B		
Month	Control (n=95)	Iluvien (n=190)	p value	Control (n=90)	Iluvien (n=186)	p value	Control (n=185)	Iluvien (n=376)	p value
24	**14.7%**	**26.8%**	**0.029**	**17.8%**	**30.6%**	**0.030**	**16.2%**	**28.7%**	**0.002**
27	15.8%	25.8%	0.076	13.3%	31.7%	0.001	14.6%	28.7%	<0.001
30	14.7%	28.9%	0.011	15.6%	33.9%	0.002	15.1%	31.4%	<0.001
33	**16.8%**	**28.4%**	**0.042**	**17.8%**	**29.6%**	**0.046**	**17.3%**	**29.0%**	**0.004**
36	18.9%	28.4%	**0.106**	18.9%	29.0%	**0.086**	18.9%	28.7%	**0.018**

Source: Company data, Credit Suisse estimates

The 36 month data were disappointing to us in that they fell short of statistical significance in each of trial A and trial B, with p values greater than 0.05 in both cases. In addition, efficacy was lower at month 36 than at month 30.

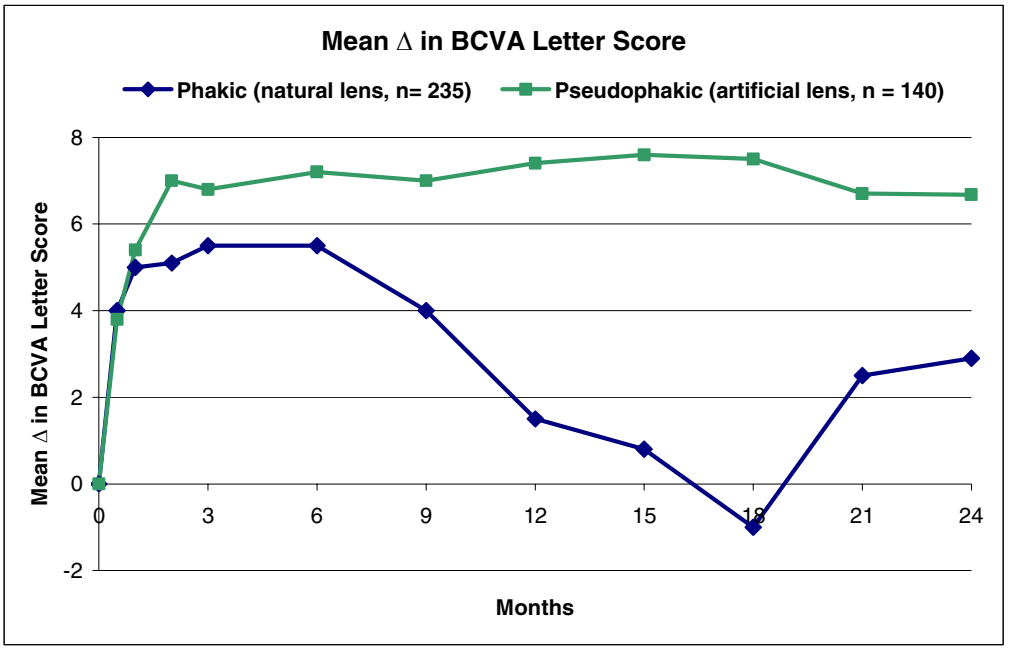
However, the data were encouraging in that they showed a durable, statistically significant treatment effect to 33 months, and essentially consistent magnitude of efficacy from 33 through 36 months.

36 Month Data Shows Convergence of Efficacy Results in Phakic and Pseudophakic Patients

It is plausible that a contributing factor to FDA's deferral of an approval decision in December was a desire to see the durability of Iluvien's efficacy for a reasonable time period after the resolution of cataracts.

Iluvien's 24 month data released last year (Exhibit 2) showed a drop in efficacy from months 6-18 in phakic eyes (eyes with natural lenses), then a rise beginning in month 18. This pattern was likely related to cataract formation (predominantly in months 6-18), followed by vision improvement after cataract surgery.

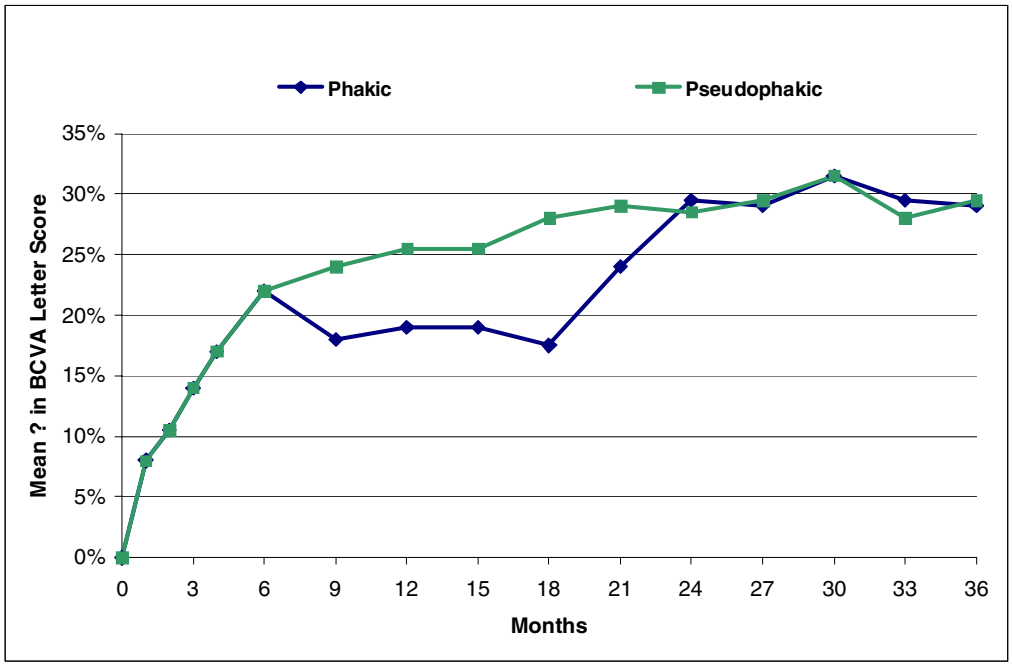
Exhibit 2: Difference in Mean Change in BCVA Letter Score due to Cataract



Source: Alimera IPO Prospectus dated April 22, 2010, Company Data, Credit Suisse estimates.

The new 36 month data (Exhibit 3) further evidences this trend – e.g., vision decline in months 6-18 and improvement in months 18-24, in phakic eyes – but additionally shows that from months 24-36, the vision improvement in pseudophakic eyes compared to those that were phakic at baseline (and later of which 74.9% had undergone cataract surgery by month 24) was virtually the same. This similarity of efficacy, over an extended (~12 month) period, could be important in providing evidence of durable treatment benefit to FDA.

Exhibit 3: % of Patients with 15 Letters or More in BVCA – Similar in Months 24-36, Phakic and Pseudophakic Eyes



Source: Company data, Credit Suisse estimates

Efficacy in Observed Cases Is Comparable to Previously Reported Subset Data

ALIM reported efficacy in observed cases (Exhibit 4) of 33% of Iluvien patients achieving 15 letters of improvement at month 36. This result is a small decline from the 36% demonstrated at month 30 for all observed cases (n=278), and the 36% result is fairly comparable to the 39.8% demonstrated in a subset of observed cases (n=123) at 30 months in ALIM's IPO prospectus in April.

Exhibit 4: Efficacy Data in Observed Cases

Month	n	Control	n	Iluvien	p value
24	134	14.7%	287	31.4%	0.003
27	134	15.8%	277	31.0%	<0.001
30	128	14.7%	278	36.0%	<0.001
33	124	16.8%	257	30.0%	0.031
36	126	18.9%	270	33.0%	0.030

Source: Company data, Credit Suisse estimates

Increase in IOP-Lowering Surgeries Headlines Otherwise Uneventful Safety Data

An important safety metric for Iluvien in the opinion of many physicians is the percentage of patients requiring surgeries to lower IOP (intraocular pressure). In the FAME study, this figure rose from 3.7% at 24 months to 4.8% at month 36 (Exhibit 5). This increase is noteworthy, however we think that FDA will likely view 4.8% as acceptable within the context of Iluvien's efficacy. It should be remembered that the patient numbers in FAME (n=376 in the Iluvien arms of Trial A+B), are such that a 1.1% increase in % of patients with surgeries can be driven by only 4 incremental cases.

Exhibit 5: 36 Month Safety Data Highlighted by Increase in IOP-Lowering Surgeries

	Control (n=185)	Iluvien (n=376)	Control (n=185)	Iluvien (n=376)
	As of 24 month Database Lock		As of Trial Completion	
IOP-related side effects				
IOP>30 mm Hg	2.7%	16.3%	4.3%	18.4%
Trabeculoplasty	0.0%	1.3%	0.0%	1.3%
IOP-lowering surgeries				
Trabulectomy	0.0%	2.1%	0.0%	2.7%
Vitrectomy	0.0%	0.3%	0.0%	0.3%
Other surgeries	0.5%	1.6%	0.5%	2.1%
Patients requiring one or more IOP-lowering surgeries	0.5%	**3.7%**	0.5%	**4.8%**

	Control (n=121)	Iluvien (n=235)	Control (n=121)	Iluvien (n=235)
	As of 24 month Database Lock		As of Trial Completion	
Cataract side effects (phakic patients at baseline only)				
Cataract formation	46.3%	80.0%	50.4%	81.7%
Cataract surgery	23.1%	74.9%	27.3%	80.0%

Source: Company data, Credit Suisse estimates

Key Catalysts Are Dominated by Iluvien Timeline, with Some Anti-VEGF Datapoints

On February 12, Dr. Peter Campochiaro will present the FAME data at the Angiogenesis conference. This presentation may include some incremental insights beyond the Feb. 3 release. For example, if the company chooses to analyze and release the data using the MART (modified all randomized and treated) analysis methodology, which was specified as the per-protocol analysis for the 24 month data, then the MART data could help to analyze the extent of impact of off-protocol treatments (such as anti-vegf therapies) on the efficacy results of the control group and therefore, possibly on the missed statistical significance of the 36 month data. In addition, the Feb. 12 data could include more details about visual improvement as measured by mean change in BVCA letter score, and/or different cuts of the data between phakic and pseudophakic patients, to further analyze the impact of cataracts.

ALIM plans to file its response to the FDA's complete response letter by the end of 1Q11, and the company expects a 6 month FDA review of its response. Thus ALIM is targeting a potential approval in late 3Q11, though we model late 4Q2011 to allow for additional company dialogue with FDA and unforeseen delays.

Exhibit 6: Key Upcoming Catalysts Are Related to Iluvien Data and Regulatory Progress

Timing	Catalyst/Event	Sensitivity	Fundamentals
February 12, 2011	**Iluvien:** Present 3 year FAME data (1:40 pm ET)	***	Additional detail to 36 month data released on Feb. 3. Data could include: MART analysis, mean letter change, further details of phakic vs pseudophakic. To be presented at Angiogenesis Conference, Miami, FL
February 12, 2011	**VEGF trap (REGN):** Report DME data	*	To be presented at Angiogenesis Conference
1Q 2011	**VEGF trap (REGN):** report Retinal Vein Occlusion data in 1Q11	*	REGN will define Phase III DME trial after PIII RVO data
1Q 2011	**Lucentis/Avastin:** first data from CATT trial expected	**	2 year NEI-sponsored study comparing Avastin and Lucentis in AMD. Enrollment completed in early 2010. Important milestone in the Avastin-Lucentis debate, and a favorable outcome for Avastin could impact other competitors due to Avastin's low cost.
end 1Q 2011	**Iluvien:** ALIM to file response to FDA's complete response letter	**	ALIM is targeting end of 1Q to respond, and expects a 6 month FDA review.
1H 2011	**Lucentis:** 2 year data from RISE and RIDE Phase 3 trials in DME expected	**	Roche plans to file for approval based on the 2 year data when data is available, in advance of availability of 3 year data
3Q 2011	**Iluvien:** potential EU approval	**	12 month review expected; UK is reference member state for ALIM (decentralized EU filing procedure)
3Q 2011	**Lucentis:** FDA filing for DME	**	File with 24 month data
end 3Q or 4Q 2011	**Iluvien:** potential FDA approval	***	ALIM expects 6 month review from time of its response to FDA's complete response letter
summer 2012	**Ozurdex:** 3 year Phase 3 data in DME	*	Trial completed enrollment in spring 2009, thus 3 year data is estimated for 2012 release
2012	**Lucentis:** Potential FDA approval in DME in US	**	Currently approved in AMD

Source: Company data, Credit Suisse estimates

ALIM Model

Our ALIM model begins on the following page.

Exhibit 7: 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			**500,989**	**513,513**	**526,351**	**539,510**	**552,998**	**566,823**	**580,993**
(assumed = trailing 3 yrs incidence)									
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 8: **Alimera Income Statement Forecast**

n thousands, unless otherwise stated

					2010E								
	FY 2007	FY 2008	FY 2009	1Q10A	2Q10A	3Q10A	4Q10E	FY 2010E	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
Iluvien - US									$0	$123,468	$212,641	$276,000	$453,888
Iluvien - ROW royalty (based on below sales)									$0	$3,100	$7,408	$12,758	$16,560
Total net sales									**$0**	**$126,568**	**$220,049**	**$288,758**	**$470,448**
Iluvien - ROW sales										$15,500	$37,040	$63,792	$82,800
% of prior year's US sales										NA	30%	30%	30%
COGS									0	4,573	7,876	10,222	16,811
Profit Sharing										13,414	31,384	44,242	76,440
Gross margin									**0**	**108,582**	**180,789**	**234,294**	**377,197**
R&D Expense	8,363	13,964	15,057	3,065	4,140	3,276	3,000	13,481	4,000	6,700	15,500	16,800	18,230
Marketing Expense	969	1,259	752	247	379	1,583	1,700	3,909	10,100	33,000	27,000	24,200	26,620
Sales Force Expense	0	0	0	0	0	0	0	0	1,109	14,333	15,049	15,802	16,592
Logistics	0	0	0	0	0	0	0	0	0	7,594	13,203	17,325	28,227
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	3,064	8,611	17,271	62,201	63,836	67,285	82,989
Total expenses	12,516	18,981	19,216	4,216	5,693	6,119	6,064	22,092	21,271	68,901	79,336	84,085	101,219
Operating Income/EBIT	**(12,516)**	**(18,981)**	**(19,216)**	**(4,216)**	**(5,693)**	**(6,119)**	**(6,064)**	**($22,092)**	**($21,271)**	**$39,680**	**$101,453**	**$150,209**	**$275,978**
Interest Income	1,079	585	37	$2	$14	$37	$14	67	151	24	129	565	989
Interest Expense	(2)	(1,514)	(1,897)	(474)	(144)	0	(55)	(673)	(705)	(673)	(266)	0	0
Pretax Income/(Loss)	($11,439)	($19,910)	($21,076)	($4,688)	($5,823)	($6,082)	($6,105)	($22,698)	($21,826)	$39,031	$101,315	$150,775	$276,967
Tax Expense/(benefit), fully taxed					0	0	0	0	0	15,066	39,108	58,199	106,909
Net income from continuing operations	**($11,439)**	**($19,910)**	**($21,076)**	**($4,688)**	**($5,823)**	**($6,082)**	**($6,105)**	**($22,698)**	**($21,826)**	**$23,965**	**$62,208**	**$92,576**	**$170,057**
Benefl 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)**	**($6,105)**	**($25,802)**	**($21,826)**	**$23,965**	**$62,208**	**$92,576**	**$170,057**
Wtd Avg Shares (diluted)	*1,500*	*1,510*	*1,517*	*1,619*	*24,293*	*31,146*	*31,185*	*22,061*	*31,200*	*33,759*	*34,331*	*34,893*	*35,554*
Earnings per Share (diluted)	**($10.92)**	**($18.01)**	**($19.30)**	**($4.37)**	**($0.27)**	**($0.20)**	**($0.20)**	**($1.17)**	**($0.70)**	**$0.71**	**$1.81**	**$2.65**	**$4.78**
Margins & Growth													
Margin Analysis													
ROW royalty, % of sales										20.0%	20.0%	20.0%	20.0%
Gross margin, excl profit share										96.4%	96.4%	96.5%	96.4%
Gross margin										**85.8%**	**82.2%**	**81.1%**	**80.2%**
Rsch & Devel. % sales										5.3%	7.0%	5.8%	3.9%
Marketing % sales										26.1%	12.3%	8.4%	5.7%
Sales force % sales										11.3%	6.8%	5.5%	3.5%
Logistics % sales										6.0%	6.0%	6.0%	6.0%
G&A % sales										5.7%	3.9%	3.4%	2.5%
Total SG&A % sales										49.1%	29.0%	23.3%	17.6%
EBIT margin										**31.4%**	**46.1%**	**52.0%**	**58.7%**
Effective tax rate									38.6%	38.6%	38.6%	38.6%	38.6%
Net margin										18.9%	28.3%	32.1%	36.1%
Growth Analysis													
Net sales											**73.9%**	**31.2%**	**62.9%**
Gross margin											66.5%	29.6%	61.0%
Research & Development									(70.3%)	67.5%	10.0%	10.0%	10.0%
Marketing		29.9%	(40.3%)					419.8%	158.4%	226.7%	(18.2%)	(10.4%)	10.0%
Sales force									#DIV/0!	1192.3%	5.0%	5.0%	5.0%
Logistics											73.9%	31.2%	62.9%
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%)					107.0%	100.6%	260.1%	2.6%	5.4%	23.3%
EBIT									**(3.7%)**	**(286.5%)**	**155.7%**	**48.1%**	**83.7%**
Net income									(15.4%)	(209.8%)	159.6%	48.8%	83.7%
Earnings per Share											**155.3%**	**46.4%**	**80.3%**

Source: Company data, Credit Suisse estimates

Exhibit 9: **Alimera Balance Sheet Forecast**

n thousands, unless otherwise stated

			2010									
	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	$60,934	$60,934	$14,171	$25,762	$113,047	$197,721	$337,309
Investments				14,544	39,966	0	0	0	0	0	0	0
Accounts receivable								0	40,405	55,012	72,190	117,612
Inventory					0	0	0	850	1,969	2,556	4,203	4,724
Prepaid Expenses	1,593	634	751	1,112	833	697	697	767	844	928	1,021	1,123
Prelaunch Costs Receivable - pSivida								1,740	0	0	0	0
Other current assets		815	1,093									
Total current assets	$19,468	$6,307	$16,022	$61,291	$55,510	$61,631	$61,631	$17,528	$68,979	$171,543	$275,134	$460,768
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	0	43,595	4,487	0	0
Other assets								$25,000	$22,500	$20,000	$17,500	$15,000
TOTAL ASSETS	**$20,264**	**$6,561**	**$16,251**	**$61,528**	**$55,772**	**$61,875**	**$61,875**	**$42,730**	**$135,242**	**$196,178**	**$292,767**	**$475,891**
LIABILITIES AND EQUITY												
Current Liabilities												
Accounts Payable & Accrued Interest	$1,575	$1,758	$2,841	$1,457	$1,517	$6,064	$6,064	$7,636	$13,063	$16,072	$17,071	$21,157
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	$10,507	$10,507	$14,267	$23,193	$21,241	$22,705	$27,724
Long-term Liabilities												
Note Payable, less Current Portion	15,000	10,500	9,000	0	0	6,250	6,250	5,093	2,315	0	0	0
Capital Lease Obligations	6											
Profit Share Payable to pSivida								0	4,606	7,846	11,060	19,110
Fair Value of Pfd 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	5,949	7,863	8,543	11,094	19,141
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)	(188,706)	(188,706)	(210,531)	(128,859)	(66,652)	25,924	195,981
Total shareholders' equity	(115,887)	(165,472)	(166,495)	56,298	50,444	44,339	44,339	22,514	104,186	166,393	258,969	429,026
TOTAL LIABILITIES & EQUITY	**$20,264**	**$6,561**	**$16,251**	**$61,528**	**$55,772**	**$61,875**	**$61,875**	**$42,730**	**$135,242**	**$196,178**	**$292,767**	**$475,891**

Source: Company data, Credit Suisse estimates

Exhibit 10: **Alimera Cash Flow Statement Forecast**

n thousands, unless otherwise stated

			2010									
	FY 2008	FY 2009	1Q10	2Q10E	3Q10	4Q10	FY 2010E	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E
STATEMENT OF CASH FLOWS												
Net income/(loss)	($61,464)	($44,218)	$2,577	($4,101)	($6,082)	($6,105)	($13,711)	($21,826)	$81,672	$62,208	$92,576	$170,057
Income from Discontinued Operations			(4,000)				(4,000)					
Depreciation & Amortization	241	1,098	$48	$47	$50	$50	195	212	224	230	235	240
Change in Fair Value of Pfd Stk Conv Feature	10,454	23,142	(3,265)	(379)	0		(3,644)					
Stock Compensation Expense	750	551	108	271	188		567					
Noncash R&D Expense/Investment loss	17,809	300		5	(9)		(4)					
Noncash gain on extinguishment of debt				(1,343)			(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	0	(850)	(1,119)	(587)	(1,647)	(521)
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	(1,740)	1,740	0	0	0
Decr/(Incr) in Other Curr. Assets				0	0	0	0	0	0	0	0	0
Change in Current Liabilities:												
Incr/(decr) in Accounts Payable	615	183	962	(1,025)	294	4,547	4,778	1,573	5,427	3,009	999	4,086
Incr/(decr) in Accr. Exps. & Other Curr. Liabs.	85	705	(767)	675	39	655	602	2,187	3,500	(4,961)	465	933
Change in Other Assets & Liabilities:												
Decr/(Incr) in defd tax assets			0	0	0	0	0	0	(43,595)	39,108	4,487	0
Decr/(Incr) in other long-term assets	24		0	0	0	0	0	(25,000)	2,500	2,500	2,500	2,500
Incr/(Decr) in other long-term liabs.	540	153	(184)	186	0	756	758	78	86	(245)	(664)	(3)
Incr/(decr) in profit split payable			0	0	0	0	0	0	4,606	3,240	3,214	8,049
Cash from Discontinued Operations	43	(43)										
Cash from Operating Activities	**($32,116)**	**($17,538)**	**($4,639)**	**($6,145)**	**($5,241)**	**$39**	**($15,986)**	**($45,435)**	**$14,559**	**$89,810**	**$84,894**	**$139,818**
Sale/(Purchase) of Investments				($14,550)	($25,412)	$39,966	$4	$0	$0	$0	$0	$0
Purchase of PP&E	(640)	(65)	($23)	(24)	(74)	(32)	(153)	(170)	(190)	(210)	(220)	(230)
Net cash used in investing activs of cont ops			(23)	(14,574)	(25,486)	39,934	(149)	(170)	(190)	(210)	(220)	(230)
Net cash provided by investing activs of discont ops			4,000				4,000					
Cash from Investing Activities	**(640)**	**($65)**	**$3,977**	**($14,574)**	**($25,486)**	**$39,934**	**$3,851**	**($170)**	**($190)**	**($210)**	**($220)**	**($230)**
Increase/(Decr.) in Note Payable			0	(15,000)	0	6,250	(8,750)	(1,157)	(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		20	8		28					
Repurchase of Common Stock	(150)						0					
Proceeds from Common Stock Offering				68,395	0		68,395					
Proceeds from Exercise of C-1 Warrants	6	31	9,998	(1)	0		9,997					
Proceeds from Exercise of Common Warrants			148	310	31		489					
Deferred Offering Costs		(339)	(163)	(1,545)	(234)		(1,942)					
Payments on Capital Lease Obligations	(10)	(10)	(1)	(3)	(2)		(6)					
Cash from Financing Activities	**$29,784**	**$4,586**	**$9,982**	**$52,176**	**($197)**	**$6,250**	**$68,211**	**($1,157)**	**($2,778)**	**($2,315)**	**$0**	**$0**
Net Increase/(Decrease) in Cash	**($2,972)**	**($13,017)**	**$9,320**	**$31,457**	**($30,924)**	**$46,223**	**$56,076**	**($46,763)**	**$11,591**	**$87,285**	**$84,674**	**$139,588**
Cash at beginning of year	20,847	17,875	$4,858	$14,178	$45,635	$14,711	$4,858	60,934	14,171	25,762	113,047	197,721
Cash at end of year	**$17,875**	**$4,858**	**$14,178**	**$45,635**	**$14,711**	**$60,934**	**$60,934**	**$14,171**	**$25,762**	**$113,047**	**$197,721**	**$337,309**

Source: Company data, Credit Suisse estimates

Companies Mentioned *(Price as of 03 Feb 11)*
Alimera Sciences (ALIM, $10.14, OUTPERFORM [V], TP $13.00)

Disclosure Appendix

Important Global Disclosures

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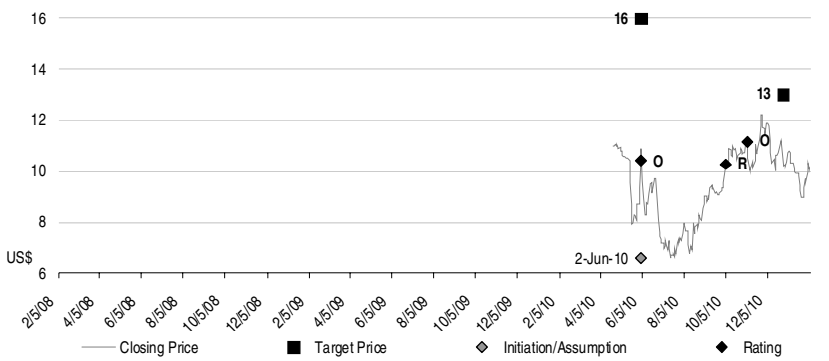
3-Year Price, Target Price and Rating Change History Chart for ALIM

ALIM Date	Closing Price (US$)	Target Price (US$)	Rating	Initiation/ Assumption
6/2/10	10.41	16	O	X
10/4/10	10.27		R	
11/4/10	11.15		O	
12/27/10	10.19	13		



O=Outperform; N=Neutral; U=Underperform; R=Restricted; NR=Not Rated; NC=Not Covered

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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 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 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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