

Anthera Pharmaceuticals (ANTH)

Q4:2010 Financials Uneventful; All Eyes on Upcoming VISTA-16 Interim Data

- Q4:2010 EPS inline with estimates as clinical trial spending increases.** Anthera reported Q4:10 EPS of (\$0.40), compared to our estimate and consensus of (\$0.31). The company did not report any revenues for the quarter, inline with our estimate and consensus. Anthera ended the 2010 with \$63.4 million in cash and investments, compared with \$73.1 million at the end of Q3:10. Recall that Anthera raised \$29.1 million in net proceeds from a private placement in late September.
- The company will hold a call on Monday February 28 to discuss details of the upcoming VISTA-16 biomarker data.** Anthera also announced today that it will hold a call on 2/28 (additional details forthcoming) to discuss the mechanics of the interim biomarker analysis for the Phase III VISTA-16 study of A-002 (varespladib) in ACS. The company will also provide a timeline for when it expects to report these results (our current estimate is late Q1:11). Recall that the interim analysis is designed to examine a set of predefined biomarkers related to cardiovascular risk, for which the drug must demonstrate an improvement over placebo in order for the trial to proceed to the outcomes stage (primary endpoint is MACE at 16 weeks). Based on the available data from prior Phase II studies, we remain optimistic that VISTA-16 will clear the interim hurdle. Should VISTA-16 succeed, we estimate that A-002 could reach peak sales of over \$1 billion per year. Finally, Anthera noted that VISTA-16 recently cleared its second DSMB meeting, with the next meeting scheduled to coincide with the upcoming biomarker analysis.
- Upcoming catalysts include interim looks at A-002 and A-623 trials.** Aside from the conference call mentioned above, we estimate the following near term milestones for ANTH: (1) interim biomarker data from the Phase III data for A-002 in Q1:11; (2) interim B-cell reduction data in A-623 Phase IIb trial in Q2:11; (3) initiation of a Phase IIb program of A-001 in Acute Chest Syndrome in Q2:11; and (4) March 10 PDUFA date for HGSI's Benlysta in Lupus.

- Reiterate OUTPERFORM rating and fair value of \$8 per share.**

February 23, 2011

Price
\$5.37

Rating
OUTPERFORM

Fair Value Estimate
\$8

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Company Information

Shares Outst (M)	39.0
Market Cap (M)	\$209
52-Wk Range	\$2.82 - \$8.55
Book Value/sh	\$1.74
Cash/sh	\$1.63
Enterprise Value (M)	\$146.0
LT Debt/Cap %	0.0%

Company Description

Anthera Pharmaceuticals is a biopharmaceutical company focused on developing products to treat inflammatory disorders, including cardiovascular and autoimmune diseases. Anthera is conducting one Phase 3 (A-002) and two Phase 2 clinical programs (A-623, A-001).



Source: Thomson Reuters

FYE Dec	2009A	2010A			2011E		
REV (M)	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	\$0.0A	\$0.0A		--	\$0.0E		\$0.0E
Q2 Jun	0.0A	0.0A		--	0.0E		0.0E
Q3 Sep	0.0A	0.0A		--	0.0E		0.0E
Q4 Dec	0.0A	0.0A		0.0A	0.0E		0.0E
Year*	\$0.0A	\$0.0A		\$0.0A	\$0.0E		\$0.0E
Change	n/a	n/a			n/a		
	2009A	2010A			2011E		
EPS	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	(\$2.57)A	(\$0.83)A		--	(\$0.37)E		(0.35)E
Q2 Jun	(2.23)A	(0.36)A		--	(0.38)E		(0.34)E
Q3 Sep	(2.37)A	(0.36)A		--	(0.45)E		(0.32)E
Q4 Dec	(0.95)A	(0.40)A		(0.31)A	(0.49)E		(0.35)E
Year*	(\$8.06)A	(\$1.76)A		(1.73)A	(\$1.69)E		(1.36)E
P/E	nm	nm			nm		
Change	n/a	n/a			n/a		

Consensus estimates are from Thomson First Call.

* Numbers may not add up due to rounding.

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UPCOMING MILESTONES

We estimate the following near-term milestones for Anthera:

2011	March 10	PDUFA date for HGSI's Benlysta in Lupus
	Q1:2011	Biomarker data from interim analysis of VISTA-16 in late Q1:2011
	Q2:2011	B-cell reduction data for A-623 in Lupus
	Q2:2011	Initiate Phase IIb Study of A-001

VALUATION AND RISKS

Our fair value of \$8 per share is calculated using a sum-of-parts analysis of Anthera's clinical pipeline. A 30% annual discount is applied to our estimate of peak annual sales for each clinical stage product/indication and a 1-10x multiple is applied to our current value based on stage of clinical development to reflect risk. While we list fair value estimates for each product in the pipeline, our overall fair value for the stock only includes fair value estimates for product candidates/indications which, in our view, have at least positive clinical proof-of-concept data. As a result, this fair value does not yet include A-002 in stable coronary artery disease, or A-001 and A-003 in any indications. Because Anthera is not yet profitable, we do not include the company's \$63 million in cash in our valuation on the assumption that these funds will be used for continued clinical development. We currently estimate Anthera's cash runway through YE:2011, which is well past the upcoming interim analyses for A-002 and A-623 anticipated in H1:2011.

Risks to the attainment of our fair value include risks that: Anthera's products obtain disappointing clinical trial results and or fail to obtain regulatory approval; Physicians are not be impressed with the products' clinical profiles; Anthera or a partner fails to effectively commercialize Anthera's drug candidates; third-party patents prevent the timely commercialization; superior clinical results are obtained by a third-party competitor; Anthera is unable to raise needed capital.

We use multiples to account for clinical and regulatory risk at various stages of development.				Today: 2/23/11 Stock MktCap (\$000) Upside								
NOVEL DRUGS				Wedbush Current Fair Value for ANTH \$8.06 \$314,372 50%								
1: in preclinical testing		6: In Pivotal Trial		Current Full Pipeline Value: \$8.06 \$314,372 50%								
2: passed preclinical		7: Pivotal data		Cash: \$1.63 \$63,381								
3: IND filing		8: regulatory review		ANTH Total Value: \$9.69 \$377,753 80%								
4: Phase I data		9: approved		Current ANTH Stock: \$5.37 \$209,430								
5: Phase II data		10: launched		ANTH Shares Outstanding (000): 39,000								
Anthera Product Pipeline Valuation												
Product		Indication	Eligible # Annual WW Treatments Est	Pricing \$ per Patient per Year Est/Actual	Peak Penetration Est	Gross WW Peak Sales Est (\$000)	ANTH Net Peak Revs Est WW (\$000)	Est/Actual Launch	Multiple	Annual Discount Rate	Wedbush MktCap Fair Value (\$000)	Wedbush Stock Fair Value
sPLA2 Antagonists	A-002	Acute Therapy	3,500,000	\$2,114	15%	\$1,110,000	\$194,250	7/1/2013	6	30%	\$220,081	\$5.64
		Chronic Therapy	10,000,000	\$2,363	5%	\$1,181,250	\$206,719	6/1/2015	5	30%	\$118,004	\$3.03
	A-001	Sickle Cell Crisis	175,000	\$22,143	20%	\$775,000	\$135,625	1/1/2017	4	30%	\$53,068	\$1.36
BLyS Antagonist	A-623	Systemic Lupus Erythematosus	600,000	\$17,083	10%	\$1,050,000	\$210,000	5/1/2015	5	30%	\$94,291	\$2.42

Source: Company reports, Wedbush Securities estimates

Anthera Pharmaceuticals (NASDAQ: ANTH)

Historical and Projected Income Statement

(In thousands except per share data)

(Fiscal Year Ends on December 31)

Wedbush PacGrow LifeSciences

Duane Nash, MD JD MBA

	2009A	2010A					2011E					2012E
	FY:09A	Q1A	Q2A	Q3A	Q4A	FY:10A	Q1	Q2	Q3	Q4	FY:11E	FY:12E
Revenues:												
Royalties on Product Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A-002 in Acute Coronary Syndrome - Acute Therapy	-	-	-	-	-	-	-	-	-	-	-	-
A-002 in Acute Coronary Syndrome - Chronic Therapy	-	-	-	-	-	-	-	-	-	-	-	-
A-001 in Acute Chest Syndrome (Sickle Cell Disease)	-	-	-	-	-	-	-	-	-	-	-	-
A-623 in Systemic Lupus Erythematosus	-	-	-	-	-	-	-	-	-	-	-	-
Collaboration Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Milestones	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses												
Cost of Goods												
R&D	8,415	5,242	6,438	6,885	10,892	29,457	10,350	10,675	12,709	14,057	47,790	32,565
Sales, General and Administrative	3,426	1,224	1,510	1,510	2,057	6,301	1,975	2,133	2,304	2,488	8,900	12,108
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	11,841	6,466	7,948	8,395	12,949	35,758	12,325	12,808	15,012	16,545	56,690	44,673
Operating Income (Loss)	(11,841)	(6,466)	(7,948)	(8,395)	(12,949)	(35,758)	(12,325)	(12,808)	(15,012)	(16,545)	(56,690)	(44,673)
Interest income	(266)	3	12	62	(92)	(15)	85	71	55	38	250	153
Interest expense	(96)	(4,641)	-	-	-	(4,641)	-	-	-	-	-	-
Beneficial conversion feature	-	-	-	-	-	-	-	-	-	-	-	-
Income Before Income Taxes	(12,203)	(11,104)	(7,936)	(8,334)	(13,040)	(40,414)	(12,240)	(12,737)	(14,957)	(16,506)	(56,440)	(44,519)
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-
Provision for Income Taxes (benefit)	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss)	\$ (12,203)	\$ (11,104)	\$ (7,936)	\$ (8,334)	\$ (13,040)	\$ (40,414)	\$ (12,240)	\$ (12,737)	\$ (14,957)	\$ (16,506)	\$ (56,440)	\$ (44,519)
EPS (Basic & Diluted)	(8.06)	(0.83)	(0.36)	(0.36)	(0.40)	(1.76)	(0.37)	(0.38)	(0.45)	(0.49)	(1.69)	(1.29)
Shares Outstanding (Basic)	1,514	13,344	22,224	22,964	32,829	22,910	33,079	33,329	33,579	33,829	33,454	34,454
Fully Diluted Shares Outstanding (Pro forma)	10,190	14,953	23,664	24,604	38,850	25,518	39,000	39,100	39,200	39,300	39,150	39,550
Net Cash	\$3,803	\$56,662	\$51,038	\$73,088	\$63,381	\$86,731	\$50,241	\$37,702	\$23,651	\$7,774	\$7,774	(\$42,032)

Source: Company reports, Wedbush Securities estimates

Analyst Certification

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Company	Disclosure
Anthera Pharmaceuticals	1,4,5,7

Research Disclosure Legend

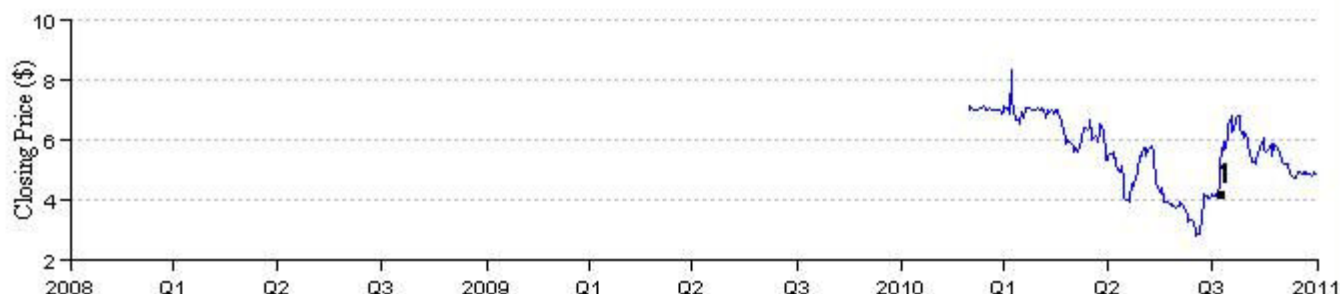
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ANTH

1) 10/06/10
Outperform \$8



* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.

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