

US | Biotechnology | AEGR

July 27, 2011

## Lomitapide 4Q11 Filings On-Track

Fiscal Year Ends: Dec	2010A	2011E	2012E
Revenue (MM)	\$0	\$0	\$8
Previous Revenue (MM)	--	--	\$6
GAAP Earnings per Share			
Q1	-	(0.39)A	-
Q2	-	(0.49)A	-
Q3	(3.61)	(0.48)	-
Q4	(0.92)	(0.61)	-
Year	(5.07)	(1.96)	(1.90)
Previous GAAP EPS	--	(1.69)	(1.51)
P/E GAAP	NM	NM	NM
Diluted Shares (MM)	4.5	19.5	21.6

### Recommendation

Price  
Target

**BUY**

**\$15.62**  
**\$27.00**

### Key Data

52-Week Range	\$25.92-\$9.00
Shares Outstanding (MM)	17.7
Market Cap (MM)	\$276
Avg. Daily Volume (000)	113
Float (MM)	10.6
% Held Institutionally	70.3%
Total Debt (MM)	\$9.4
Cash Per Share	\$4.94
Short Interest	2.70%

### ■ Investment Thesis - Increasing PT to \$27 on higher pricing:

This morning, AEGR reported 2Q11 EPS of \$(0.49), vs our estimate of \$(0.41) and Street consensus of \$(0.40), primarily due to higher-than-expected R&D expense associated with the lomitapide P3 study and regulatory preparation. AEGR remains on-track for U.S./E.U. lomitapide filings by YE11, following a pre-NDA meeting (June) with a pre-MAA meeting scheduled for September. In addition, we await 78-week data in 4Q11. We forecast U.S. and E.U. approvals in 4Q12 (on a potential 10-month review) and YE12, respectively, and estimate lomitapide WW sales of \$233M+ in 2018 (vs. \$164M prior), with higher HoFH prevalence and pricing, a 6-month review, approval in pediatric HoFH (75%-100% of adult population, according to AEGR management) and FC representing upside. We are upwardly revising our lomitapide pricing estimates (\$250K (vs. \$175K prior) in the U.S. and \$225K (vs. \$160K) in E.U.) to be in-line with guidance of \$200K-\$400K. As a result, we are increasing our PT to \$27 from \$23.

### ■ Update on FC and pediatric HoFH indications:

AEGR received KOL feedback and expects to initiate both trials in 4Q11/1Q12, which should be similar in size (N=29) to the adult HoFH P3 study. The EMEA has validated the PIP plan for pediatric HoFH.

### ■ ATU-based access in France should provide insight into launch:

Upon receipt of an ATU by YE11, AEGR will be able to commercialize lomitapide in France. In preparation, it has identified 14 treating KOLs and 75 HoFH patients. AEGR expects pricing in France to be in-line with the most recent guidance (at least \$200K/year).

### ■ 2Q11 results and updated FY11 cash burn guidance:

AEGR reported 2Q11 GAAP R&D expense of \$5.1M, above our estimate of \$3.5M while GAAP SG&A expense was \$3.2M, below our estimate of \$3.6M. AEGR exited 2Q11 with \$87.5M in cash and raised its FY11 cash burn guidance to \$29.5M-\$32.5M (from \$22.5M-\$27.5M), in anticipation of its regulatory filings, salesforce build-out and ramp-up in infrastructure ahead of an ATU in France in FY11 and U.S./E.U. launch in FY12.

### Stock Performance



	1m	3m	12m
Performance	1.4%	-16.9%	

Source: Bloomberg

Aegerion is a biopharmaceutical company focused on the development and commercialization of treatments for patients with severe lipid disorders. The company's lead therapeutic is lomitapide, an oral small-molecule inhibitor of MTP, which is in a Phase 3 clinical trial for the treatment of patients with Homozygous Familial Hypercholesterolemia (HoFH). Aegerion was founded in 2005 and is headquartered in Bridgewater, New Jersey.

**Please see Page 3 for price target valuation method and risks to achieving that target.**

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Disclaimers regarding the content of this report as well as full disclosure of Collins Stewart LLC's ratings and information on the firm's position(s) in securities mentioned herein appear on page 5 of this report.

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**Figure 1: 2Q11 Variance Table**

(\$thousands, except per share data)

	Jun 2Q11A	Jun 2Q11E	Variance A-E	Variance %	Y/Y %	Q/Q %
<b>Revenue</b>						
Lomitapide Total Revenue	-	-	-	n/a	n/a	n/a
Lomitapide HoFH - U.S.	-	-	-	n/a	n/a	n/a
Lomitapide HoFH - E.U.	-	-	-	n/a	n/a	n/a
Milestone, Contract Revenues	-	-	-	n/a	n/a	n/a
<b>Total Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>COGS</b>	-	-	-	n/a	n/a	n/a
Gross profit	-	-	-	n/a	n/a	n/a
<b>Operating expense</b>	-	-	-	-	-	-
R&D	5,138	3,525	1,613	-69%	n/a	56%
SG&A	3,205	3,574	(369)	-112%	n/a	-8%
Total operating expense	8,343	7,099	1,244	-85%	n/a	23%
<b>Operating income (loss)</b>	<b>(8,343)</b>	<b>(7,099)</b>	<b>(1,244)</b>	<b>-85%</b>	<b>n/a</b>	<b>23%</b>
Interest Expense	(332)	(260)	(72)	-78%	n/a	195%
Interest Income	70	65	5	-93%	n/a	4%
Change in fair value of warrant liability	-	-	-	n/a	n/a	n/a
Other income, net	-	-	-	n/a	n/a	n/a
Total Other Income	(262)	(195)	(67)	-75%	n/a	481%
Income Before Income Taxes	(8,605)	(7,294)	(1,311)	-85%	n/a	26%
Income Tax Provision	-	-	-	n/a	n/a	n/a
Accretion of preferred stock dividends	-	-	-	n/a	n/a	n/a
<b>Net income (GAAP)</b>	<b>\$ (8,605)</b>	<b>\$ (7,294)</b>	<b>(1,311)</b>	<b>-85%</b>	<b>n/a</b>	<b>26%</b>
<b>GAAP EPS (diluted)</b>	<b>\$ (0.49)</b>	<b>\$ (0.41)</b>	<b>(0.07)</b>	<b>-85%</b>	<b>n/a</b>	<b>25%</b>
Weighted shares outstanding diluted - GAAP	17,729	17,730	(1)	-100%	n/a	0%

Source: Collins Stewart LLC Research and Company Reports

**Figure 2: AEGR Upcoming Milestones**

Product	Indication	Timing	Milestone
Lomitapide	HoFH	4Q11	Complete pre-clinical studies
	HoFH	4Q11	Submit U.S. regulatory filing
	HoFH	4Q11	Submit E.U. regulatory filing
	HoFH	YE11	Full Phase 3 78-week data
	HoFH	YE11	Potential ATU approval in France
	Pediatric HoFH	YE11	Initiation of a pivotal study
	FC	YE11	Initiation of a pivotal study
	HoFH	Mid-2012	Potential FDA approval
	HoFH	YE12	Potential EMEA approval

Source: Collins Stewart LLC Research and Company Reports

**Figure 3: Changes to Model**

(\$thousands, except per share data)

	FY11E		FY12E		FY13E		FY14E		FY15E		FY16E	
	New	Prior	New	Prior	New	Prior	New	Prior	New	Prior	New	Prior
<b>Revenue</b>												
Lomitapide Total Revenue	-	-	\$ 8,236	\$ 5,779	\$ 40,074	\$ 28,232	\$ 76,740	\$ 54,081	\$ 122,860	\$ 86,598	\$ 166,075	
Lomitapide HoFH - U.S.	-	-	6,940	4,858	23,882	16,717	44,087	30,861	69,247	48,473	91,817	
Lomitapide HoFH - E.U.	-	-	1,296	921	16,192	11,514	32,653	23,220	53,613	38,125	74,258	
Milestone, Contract Revenues	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,236</b>	<b>\$ 5,779</b>	<b>\$ 40,074</b>	<b>\$ 28,232</b>	<b>\$ 76,740</b>	<b>\$ 54,081</b>	<b>\$ 122,860</b>	<b>\$ 86,598</b>	<b>\$ 166,075</b>	
<b>COGS</b>	-	-	659	462	5,210	3,670	9,976	7,031	14,743	10,392	18,268	
Gross profit	-	-	7,577	5,317	34,865	24,562	66,764	47,050	108,117	76,206	147,807	
<b>Operating expense</b>												
R&D	21,988	14,586	25,523	13,001	27,002	13,003	28,412	14,523	30,211	16,491	31,783	
SG&A	15,846	14,865	20,321	17,226	25,433	20,047	28,001	23,547	30,523	27,046	32,683	
Total operating expense	37,834	29,450	45,844	30,227	52,435	33,050	56,413	38,070	60,734	43,537	64,466	
<b>Operating income (loss)</b>	<b>(37,834)</b>	<b>(29,450)</b>	<b>(38,267)</b>	<b>(24,910)</b>	<b>(17,570)</b>	<b>(8,488)</b>	<b>10,351</b>	<b>8,980</b>	<b>47,383</b>	<b>32,669</b>	<b>83,341</b>	
Interest Expense	(1,108)	(893)	(2,887)	(2,453)	(2,887)	(2,453)	(2,887)	(2,453)	(1,925)	(1,635)	-	
Interest Income	404	229	105	40	126	26	127	20	253	84	523	
Change in fair value of warrant liability	-	-	-	-	-	-	-	-	-	-	-	
Other income, net	-	-	-	-	-	-	-	-	-	-	-	
Total Other Income	(704)	(664)	(2,782)	(2,412)	(2,762)	(2,427)	(2,760)	(2,433)	(1,672)	(1,551)	523	
Income Before Income Taxes	(38,537)	(30,114)	(41,049)	(27,322)	(20,332)	(10,915)	7,591	6,548	45,710	31,118	83,864	
Income Tax Provision	-	-	-	-	-	-	-	-	-	-	(4,193)	
Accretion of preferred stock dividends	-	-	-	-	-	-	-	-	-	-	-	
<b>Net income (GAAP)</b>	<b>\$ (38,537)</b>	<b>\$ (30,114)</b>	<b>\$ (41,049)</b>	<b>\$ (27,322)</b>	<b>\$ (20,332)</b>	<b>\$ (10,915)</b>	<b>\$ 7,591</b>	<b>\$ 6,548</b>	<b>\$ 45,710</b>	<b>\$ 31,118</b>	<b>\$ 79,671</b>	
<b>GAAP EPS (diluted)</b>	<b>\$ (1.96)</b>	<b>\$ (1.69)</b>	<b>\$ (1.90)</b>	<b>\$ (1.51)</b>	<b>\$ (0.93)</b>	<b>\$ (0.60)</b>	<b>\$ 0.32</b>	<b>\$ 0.32</b>	<b>\$ 1.90</b>	<b>\$ 1.52</b>	<b>\$ 3.28</b>	
Weighted shares outstanding												
diluted - GAAP	19,502	17,774	21,625	18,087	21,841	18,267	23,814	20,204	24,052	20,406	24,293	

Source: Collins Stewart LLC Research and Company Reports

## Valuation and Risks

Our 12-month PT of \$27 (prev. \$23) is based on 35x our fully taxed, fully diluted FY15 GAAP EPS estimate of \$1.90 (prev. \$1.52) discounted back to YE12 (prev. mid-2012) at 30%. The primary investment risks for AEGR include: 1) lomitapide clinical development risk (particularly regarding potential new safety signals in the ongoing Phase 3 trial); 2) lomitapide regulatory risk; 3) commercial risk, including the possibility that lomitapide does not achieve peak commercial revenue estimates in our model (due to market size, penetration rates, and/or pricing); 4) potential product competition; and 5) financing risk.

## Aegerion Pharmaceuticals

(NASDAQ: AEGR)

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### Consolidated Income Statement

(\$thousands, except per share data)

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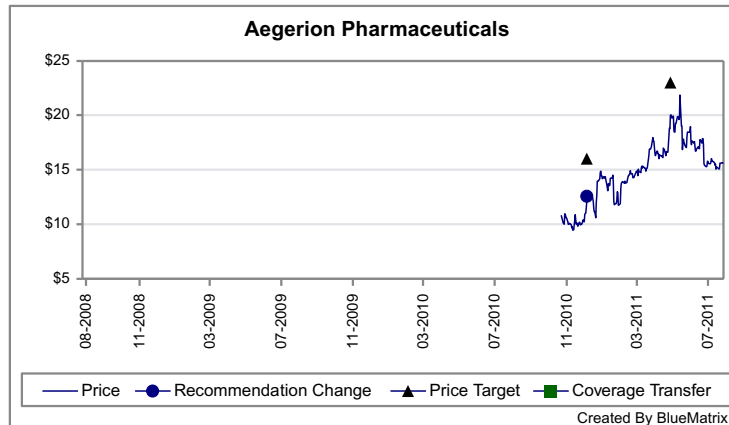
	FY 2010A	Mar 1Q11A	Jun 2Q11A	Sep 3Q11E	Dec 4Q11E	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E
<b>Revenue</b>											
Lomitapide Total Revenue	-	-	-	-	-	-	\$ 8,236	\$ 40,074	\$ 76,740	\$ 122,860	\$ 166,075
Lomitapide HoFH - U.S.	-	-	-	-	-	-	6,940	23,882	44,087	69,247	91,817
Lomitapide HoFH - E.U.	-	-	-	-	-	-	1,296	16,192	32,653	53,613	74,258
<b>Total Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,236</b>	<b>\$ 40,074</b>	<b>\$ 76,740</b>	<b>\$ 122,860</b>	<b>\$ 166,075</b>
<b>COGS</b>											
Gross profit	-	-	-	-	-	-	659	5,210	9,976	14,743	18,268
	-	-	-	-	-	-	7,577	34,865	66,764	108,117	147,807
<b>Operating expense</b>											
R&D (GAAP)	7,629	3,297	5,138	6,032	7,521	21,988	25,523	27,002	28,412	30,211	31,783
SG&A (GAAP)	5,922	3,491	3,205	3,898	5,252	15,846	20,321	25,433	28,001	30,523	32,683
Total operating expense	13,551	6,787	8,343	9,930	12,773	37,834	45,844	52,435	56,413	60,734	64,466
<b>Operating income (loss)</b>	<b>(13,551)</b>	<b>(6,787)</b>	<b>(8,343)</b>	<b>(9,930)</b>	<b>(12,773)</b>	<b>(37,834)</b>	<b>(38,267)</b>	<b>(17,570)</b>	<b>10,351</b>	<b>47,383</b>	<b>83,341</b>
Interest Expense	(2,404)	(113)	(332)	(332)	(332)	(1,108)	(2,887)	(2,887)	(2,887)	(1,925)	-
Interest Income	109	68	70	140	126	404	105	126	127	253	523
Change in fair value of warrant liability	(416)	-	-	-	-	-	-	-	-	-	-
Other income, net	215	-	-	-	-	-	-	-	-	-	-
Total Other Income	(2,496)	(45)	(262)	(191)	(206)	(704)	(2,782)	(2,762)	(2,760)	(1,672)	523
Income Before Income Taxes	(16,047)	(6,832)	(8,605)	(10,121)	(12,979)	(38,537)	(41,049)	(20,332)	7,591	45,710	83,864
Income Tax Provision	1,793	-	-	-	-	-	-	-	-	-	(4,193)
Accretion of preferred stock dividends	(8,751)	-	-	-	-	-	-	-	-	-	-
<b>Net income (GAAP)</b>	<b>\$ (23,005)</b>	<b>\$ (6,832)</b>	<b>\$ (8,605)</b>	<b>\$ (10,121)</b>	<b>\$ (12,979)</b>	<b>\$ (38,537)</b>	<b>\$ (41,049)</b>	<b>\$ (20,332)</b>	<b>\$ 7,591</b>	<b>\$ 45,710</b>	<b>\$ 79,671</b>
<b>GAAP EPS (diluted)</b>	<b>\$ (5.07)</b>	<b>\$ (0.39)</b>	<b>\$ (0.49)</b>	<b>\$ (0.48)</b>	<b>\$ (0.61)</b>	<b>\$ (1.96)</b>	<b>\$ (1.90)</b>	<b>\$ (0.93)</b>	<b>\$ 0.32</b>	<b>\$ 1.90</b>	<b>\$ 3.28</b>
Weighted shares outstanding											
diluted - GAAP	4,537	17,642	17,729	21,226	21,411	19,502	21,625	21,841	23,814	24,052	24,293
<b>Margin Analysis:</b>											
Cost of product sales	nm	nm	nm	nm	nm	nm	8%	13%	13%	12%	11%
Product gross margin	nm	nm	nm	nm	nm	nm	92%	87%	87%	88%	89%
R&D (non-GAAP)	nm	nm	nm	nm	nm	nm	310%	67%	37%	25%	19%
SG&A (non-GAAP)	nm	nm	nm	nm	nm	nm	247%	63%	36%	25%	20%
Stock-based compensation expense	nm	nm	nm	nm	nm	nm	79%	19%	11%	8%	6%
Total operating expense	nm	nm	nm	nm	nm	nm	557%	131%	74%	49%	39%
Operating margin	nm	nm	nm	nm	nm	nm	-465%	-44%	13%	39%	50%
Income tax provision	nm	nm	nm	nm	nm	nm	0%	0%	0%	0%	5%
Net margin (GAAP)	nm	nm	nm	nm	nm	nm	nm	nm	10%	37%	48%
<b>Y/Y change:</b>											
Total revenue	nm	nm	nm	nm	nm	nm	nm	387%	91%	60%	35%
R&D	8%	nm	nm	nm	nm	188%	16%	6%	5%	6%	5%
SG&A	93%	nm	nm	nm	nm	168%	28%	25%	10%	9%	7%
Stock-based compensation expense	-24%	nm	nm	nm	nm	668%	19%	14%	13%	12%	11%
Total operating expense	34%	nm	nm	nm	nm	179%	21%	14%	8%	8%	6%
Operating income	34%	nm	nm	nm	nm	179%	1%	-54%	-159%	358%	76%
Net income (GAAP)	49%	nm	nm	nm	nm	68%	7%	-50%	-137%	502%	74%
GAAP EPS (diluted)	-46%	nm	nm	nm	nm	-61%	-3%	-51%	-134%	496%	73%
Shares outstanding - GAAP	174%	nm	nm	nm	nm	330%	11%	1%	9%	1%	1%

Source: Collins Stewart LLC Research and Company Reports

## Important Disclosure / Disclaimer Information

### Other Public Companies Mentioned in this Report

Company	Ticker	Price	Recommendation
Aegerion Pharmaceuticals	AEGR	\$15.62	BUY



Ticker	Date	Action	Prior Rating	Current Rating	Price	Target Price
AEGR	2011-04-28	Raising Target Price	BUY	BUY	\$20.00	\$23.00
AEGR	2010-12-6	Initiation of Coverage	NA	BUY	\$12.57	\$16.00

Collins Stewart LLC Ratings

#### Valuation and Risks

The recommendation and price target contained within this report are based on a time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon. Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, but not limited to, discounted cash flow, earnings multiples, enterprise value, book value, peer group comparisons, and the sum of the parts. Overall market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text herein or in our most recent full research report on the subject company.

**BUY:** Improving fundamentals and/or identifiable catalysts in place expected to cause stock to outperform its industry

**NEUTRAL:** Company's fundamental backdrop suggest stock should perform in line with industry

**SELL:** Deteriorating fundamentals and/or identifiable catalysts in place expected to cause stock to underperform its industry

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	% of CSTI Universe with this rating	% of rating tier for which CSTI provided IB services
Buy	55%	0%
Hold	42%	0%
Sell	3%	0%

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