



Anthera Pharmaceuticals

Outperform (1)

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Much News Flows On Tap Tied To Progress Of Key Programs

Conclusion: Last night Anthera reported a Q1:10 net loss of \$11.1MM and ended Q1:10 with \$56.7MM in cash. Our opinion of Anthera stock is unchanged. We expect it to outperform over the next 12-18 months keyed to the news flow from varespladib's pivotal VISTA-16 study in ACS and A-623's Phase II SLE trial.

- **Varespladib's VISTA-16 To Begin In June; Interim Futility Data In Q1/2 2011 Key.** VISTA-16 is on track to commence in June. Site initiations, investigator meetings, and drug product shipment are on schedule. Anthera provided color on the interim biomarker futility analysis that will report in Q1/Q2 2011. The analysis requires statistical significant differences between the arms for each of sPLA2, IL-6, LDL-C, and CRP in order for the study to continue. Based on the strength of the Phase II data, we believe study continuation is the most likely outcome. Anthera has sufficient clinical trial material for at least 1,000 patients and has initiated the campaign to complete the clinical trial supply. Anthera estimates that enrollment of 6,500 patients will take 14-15 months.
- **A-623's Phase II On Track For H2:10 Initiation.** Anthera will respond to FDA's IND advice letter by month-end and believes that A-623's Phase II study, PEARL-SC, will begin by Q4:10. Among others, FDA requested updated stability data. PEARL-SC will randomize SLE patients with SLEDAI scores >6 into 4 arms: high, med, low dose A-623, and placebo. Data from an interim biomarker analysis assessing B-cell inhibition is likely in Q2/11. Anthera has sufficient A-623 supply for the first 120 patients and has initiated scale up of the 100L scale fermentation.
- **Q1:10 Financials.** Anthera reported a net loss of \$11.1MM, or \$0.83 per share. This included non-recurring non-cash charges consisting of a \$3.5MM milestone payment and a \$4.5MM charge primarily related to the conversion of promissory notes. Anthera ended Q1:10 with \$56.7MM in cash.

ANTH (05/06)	\$7.00	Revenue \$MM							
Mkt cap	\$169.4MM	FY	2009	2010E		2011E		2012E	
Dil shares out	24.2MM	Dec	Actual	Prior	Current	Prior	Current	Prior	Current
Avg daily vol	10.7K	Q1	0.0	—	0.0	—	0.0	—	—
52-wk range	\$6.5-8.6	Q2	0.0	—	0.0	—	0.0	—	—
Dividend	Nil	Q3	0.0	—	0.0	—	0.0	—	—
Dividend yield	Nil	Q4	0.0	—	0.0	—	0.0	—	—
BV/sh	NA	Year	0.0	—	0.0	—	0.0	—	80.0
Net cash/sh	NA	EV/S	—	—	—	—	—	—	—
Debt/cap	NA								
ROE (LTM)	NA								
5-yr fwd EPS growth (Norm)	NA								
		EPS \$	FY	2009	2010E		2011E		2012E
		Dec	Actual	Prior	Current	Prior	Current	Prior	Current
		Q1	0.00	—	(0.83)A	—	(0.79)	—	—
		Q2	0.00	—	(0.26)	—	(0.62)	—	—
		Q3	0.00	—	(0.55)	—	(0.59)	—	—
		Q4	0.00	—	(0.67)	—	(0.31)	—	—
S&P 500	1128.2	Year	(8.06)	(1.68)	(2.31)	—	(2.31)	—	(2.25)
		P/E	—	—	—	—	—	—	—

Please see addendum of this report for important disclosures.

Investment Thesis

Anthera is a uniquely positioned biopharmaceutical company developing several drugs for the treatment of cardiovascular and inflammatory diseases, including acute coronary syndrome (ACS), systemic lupus erythematosus (SLE), and acute chest syndrome in sickle cell disease. In June 2010, Anthera's lead compound, varespladib (A-002), an sPLA2 inhibitor, will begin a pivotal Phase III ACS trial, VISTA-16. As a novel anti-inflammatory, this approach is high risk but the ACS market opportunity is very large and thus the reward could be large. VISTA-16's interim analysis, that will report in Q1/Q2:2011, is likely to be a positive catalyst for the stock. We believe the trial is likely to continue should VISTA-16 replicate the FRANCIS data, validating the anti-inflammatory mechanism as safe and potentially effective. Our sensitivity analysis based on the interim results event suggests that ANTH stock has 9-20% upside relative to the market over 12-18 months. This assumes downside of \$4.50/share should the trial be stopped for futility, and \$2+/share remaining for the cash, NOLs, and the A-623 program. In addition to varespladib, A-623 is a Phase II-ready anti-BLyS peptibody for SLE. A-623 has potential advantages over GlaxoSmithKline/HGSI's Benlysta. Rounding out the pipeline, A-001 is an intravenous sPLA2 inhibitor in Phase II for acute chest syndrome due to sickle cell disease. With much news flow on tap on these first or potentially best-in-class compounds targeting either large and/or high unmet need markets, we believe ANTH will outperform the market over the next 12-18 months.

Anthera Upcoming Milestones

Milestone	Timing
Varespladib (A-002)	
VISTA-16 Phase III initiation	June 2010
1,000 patient interim biomarker analysis	Q1/2:11
VISTA-16 final results	Q1:2012
A-623	
Phase II initiation	H2:10
Phase II interim biomarker analysis	Q2:11
Phase II data	H2:11
A-001	
Phase II data publication	Q3:2010

Source: Company data; Cowen and Company

ANTHERA - ESTIMATED QUARTERLY P&L BUILDUP (\$MM)											
	2009 Total	2010					2011				
		Q1	Q2E	Q3E	Q4E	Total	Q1E	Q2E	Q3E	Q4E	Total
Total Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
% Change	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Cost of Goods Sold	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gross Profit	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gross Margin	NM	0.0%	0.0%	0.0%	0.0%	NM	0.0%	0.0%	0.0%	0.0%	NM
R&D	\$8.4	\$5.2	\$4.5	\$11.0	\$14.0	\$34.7	\$15.5	\$15.0	\$14.0	\$5.0	\$49.5
% Revenues	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
SG&A	\$3.4	\$1.2	\$1.9	\$2.2	\$2.2	\$7.5	\$3.5	\$3.5	\$3.5	\$4.3	\$14.8
% Revenues	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Total Operating Expenses	\$11.8	\$6.5	\$6.4	\$13.2	\$16.2	\$42.3	\$19.0	\$18.5	\$17.5	\$9.3	\$64.3
% Revenues	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Operating Income	(\$11.8)	(\$6.5)	(\$6.4)	(\$13.2)	(\$16.2)	(\$42.3)	(\$19.0)	(\$18.5)	(\$17.5)	(\$9.3)	(\$64.3)
% Revenues	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Total Non-Operating Income	(\$0.4)	(\$4.64)	\$0.03	\$0.03	\$0.03	(\$4.6)	\$0.02	\$0.03	\$0.03	\$0.03	\$0.1
Pretax Income	(\$12.2)	(\$11.1)	(\$6.4)	(\$13.2)	(\$16.2)	(\$46.8)	(\$19.0)	(\$18.5)	(\$17.5)	(\$9.3)	(\$64.2)
Taxes	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income - Operations	(\$12.2)	(\$11.1)	(\$6.4)	(\$13.2)	(\$16.2)	(\$46.8)	(\$19.0)	(\$18.5)	(\$17.5)	(\$9.3)	(\$64.2)
% Change	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Extraordinary Items	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Diluted EPS - Operations	(\$8.06)	(\$0.83)	(\$0.26)	(\$0.55)	(\$0.67)	(\$2.31)	(\$0.79)	(\$0.62)	(\$0.59)	(\$0.31)	(\$2.31)
	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Diluted EPS - Reported	(\$8.06)	(\$0.83)	(\$0.26)	(\$0.55)	(\$0.67)	(\$2.31)	(\$0.79)	(\$0.62)	(\$0.59)	(\$0.31)	(\$2.31)
Shares (MM) - Diluted	1.5	13.3	24.2	24.2	24.2	21.5	24.2	29.7	29.7	29.7	28.3
Cash	\$14.3	\$56.7	\$56.6	\$48.9	\$37.5	\$37.5	\$20.7	\$52.8	\$34.5	\$20.3	\$20.3
Cash/Share	\$9.45	\$4.25	\$2.34	\$2.02	\$1.55	\$1.75	\$0.86	\$1.78	\$1.16	\$0.68	\$0.72

Source: Company data; Cowen and Company estimates

Anthera Pharmaceuticals

ANTHERA - ESTIMATED 2009-2020 P&L BUILDUP (\$MM)													
	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	Comments
A-002 Sales ACS U.S. (\$MM)				\$0.0	\$133	\$273.0	\$562.4	\$724.1	\$895.0	\$1,075.5	\$1,107.7	\$652.0	- Anthera to commercialize in U.S.; launch Q1:13; U.S. patent expiration Q1:2020
A-002 Sales ACS Ex-U.S. (\$MM)				0.0	22.4	230.4	355.9	488.8	629.3	648.2	667.6	687.6	- Assume partner for ex-U.S. commercialization; assumes 10 year exclusivity post 2013 launch
A-623 Sales WW (\$MM)				0.0	0.0	58.5	117.0	175.5	292.5	585.0	585.0	585.0	- Assumes out-licensed in 2012
Total Product Sales				\$0.0	\$154.9	\$561.9	\$1,035.3	\$1,388.4	\$1,816.8	\$2,308.6	\$2,360.4	\$1,924.6	
A-002 Royalties (\$MM)				0.0	6.7	69.1	106.8	146.6	188.8	194.5	200.3	206.3	
A-623 Royalties (\$MM)				0.0	0.0	14.6	29.3	43.9	73.1	146.3	146.3	146.3	
Total Product Royalties				\$0.0	\$6.7	\$83.7	\$136.0	\$190.5	\$261.9	\$340.7	\$346.5	\$352.5	
A-002 Milestones				\$0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	- Assumes ex-U.S. partnership milestone
A-623 Milestones				\$0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Milestones				\$80.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Total Anthera Revenues	\$0.0	\$0.0	\$0.0	\$80.0	\$139.2	\$356.7	\$698.4	\$914.6	\$1,156.9	\$1,416.2	\$1,454.3	\$1,004.5	
% Change	NM	NM	NM	NM	NM	+156%	+96%	+31%	+26%	+22%	+3%	-31%	
Cost of Goods Sold	\$0.0	\$0.0	\$0.0	\$16.0	\$27.8	\$71.3	\$139.7	\$182.9	\$231.4	\$283.2	\$290.9	\$200.9	
Gross Profit	\$0.0	\$0.0	\$0.0	\$64.0	\$111.4	\$285.4	\$558.7	\$731.7	\$925.5	\$1,132.9	\$1,163.4	\$803.6	
Gross Margin		nm	nm	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	- Inclusive of a 20% blended royalty
R&D	\$8.4	\$34.7	\$49.5	\$55.0	\$57.0	\$40.0	\$40.0	\$40.0	\$25.0	\$25.0	\$25.0	\$25.0	- Assumes label expansion into CVD; Phase II for A-623; milestone to LLY/Shionogi and Amgen
% Revenues	nm	nm	nm	nm	40.9%	11.2%	5.7%	4.4%	2.2%	1.8%	1.7%	2.5%	
SG&A	\$3.4	\$7.5	\$14.8	\$76.0	\$140.0	\$150.0	\$160.0	\$170.0	\$180.0	\$190.0	\$175.0	\$100.0	- Assumes build of U.S. sales force, A-002 launch costs & marketing expenses
% Revenues	nm	nm	nm	nm	100.5%	42.0%	22.9%	18.6%	15.6%	13.4%	12.0%	10.0%	
Total Operating Expenses	\$11.8	\$42.3	\$64.3	\$131.0	\$197.0	\$190.0	\$200.0	\$210.0	\$205.0	\$215.0	\$200.0	\$125.0	
% Growth	nm	+257%	+52%	+104%	+50%	-4%	+5%	+5%	-2%	+5%	-7%	-38%	
% Revenues	nm	nm	nm	163.8%	141.5%	53.3%	28.6%	23.0%	17.7%	15.2%	13.8%	12.4%	
Operating Income/(Loss)	(\$11.8)	(\$42.3)	(\$64.3)	(\$67.0)	(\$85.6)	\$95.4	\$358.7	\$521.7	\$720.5	\$917.9	\$963.4	\$678.6	
% Growth	nm	nm	nm	nm	nm	nm	nm	+45%	+38%	+27%	+5%	-30%	
% Revenues	nm	nm	nm	nm	nm	nm	51.4%	57.0%	62.3%	64.8%	66.2%	67.6%	
Non-Operating Income	(\$0.4)	(\$4.56)	\$0.10	\$0.10	\$0.10	\$0.10	\$5.00	\$10.00	\$15.00	\$20.00	\$30.00	\$40.00	- Assumes interest income increase as cash builds
Pretax Income	(\$12.2)	(\$46.8)	(\$64.2)	(\$66.9)	(\$85.5)	\$95.5	\$363.7	\$531.7	\$735.5	\$937.9	\$993.4	\$718.6	
% Revenues	nm	nm	nm	nm	nm	27%	52%	58.1%	63.6%	66.2%	68.3%	71.5%	
Taxes	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2.9	\$109.1	\$186.1	\$257.4	\$328.3	\$347.7	\$251.5	
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	30.0%	35.0%	35.0%	35.0%	35.0%	35.0%	
Extraordinary Items	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Net Income - Operations	(\$12.2)	(\$46.8)	(\$64.2)	(\$66.9)	(\$85.5)	\$92.6	\$254.6	\$345.6	\$478.1	\$609.7	\$645.7	\$467.1	
% Growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	
% Revenues	nm	nm	nm	nm	nm	nm	36.5%	37.8%	41.3%	43.0%	44.4%	46.5%	
Net Income - Reported	(\$12.2)	(\$46.8)	(\$64.2)	(\$66.9)	(\$85.5)	\$92.6	\$254.6	\$345.6	\$478.1	\$609.7	\$645.7	\$467.1	
EPS - Operations	(\$8.06)	(\$2.31)	(\$2.31)	(\$2.25)	(\$2.88)	\$3.12	\$8.57	\$11.63	\$16.09	\$20.52	\$21.73	\$15.72	
% Change	nm	nm	nm	nm	nm	nm	+175%	+36%	+38%	+28%	+6%	-28%	
EPS - Reported	(\$8.06)	(\$2.31)	(\$2.31)	(\$2.25)	(\$2.88)	\$3.12	\$8.57	\$11.63	\$16.09	\$20.52	\$21.73	\$15.72	
Shares (MM) - Diluted	1.5	21.5	28.3	29.7	29.7	29.7	29.7	29.7	29.7	29.7	29.7	29.7	- Assumes financing in Q2:11 of \$50MM at \$9/share

Source: Company data; Cowen and Company estimates

Addendum

STOCKS MENTIONED IN IMPORTANT DISCLOSURES

Ticker	Company Name
ANTH	Anthera Pharmaceuticals

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Neutral (2)	Stock expected to perform in line with the S&P 500
Underperform (3)	Stock expected to underperform the S&P 500

(a) Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period.

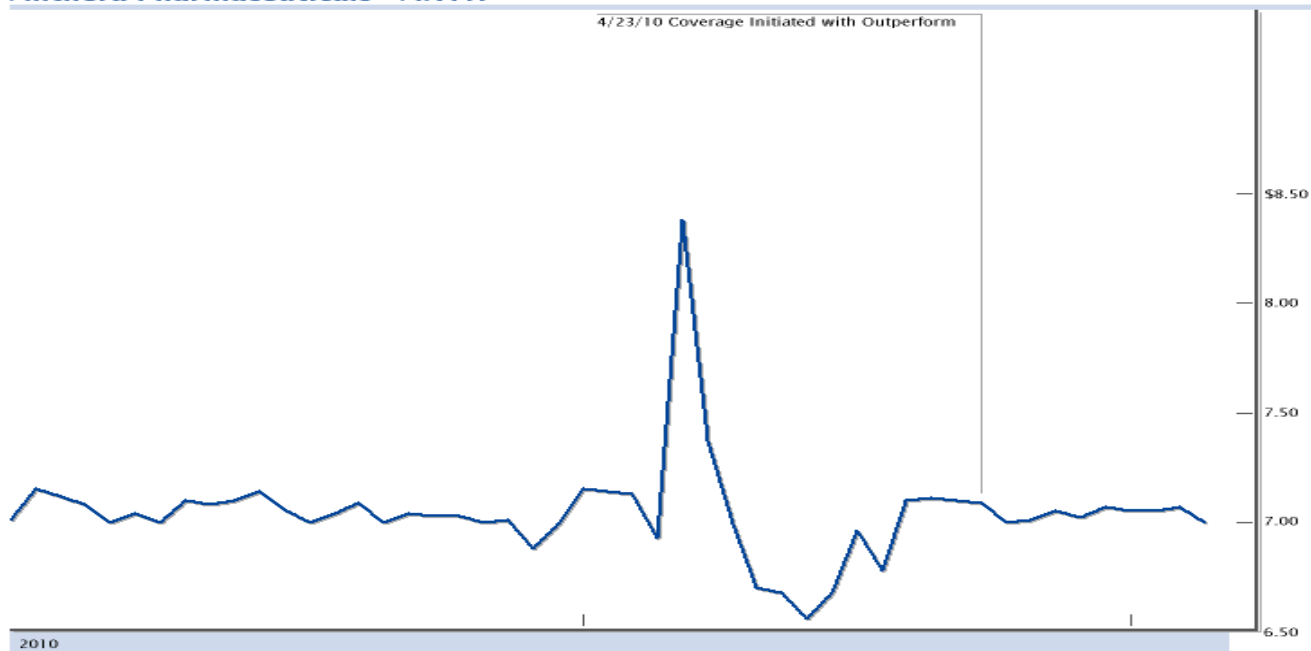
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Rating	Pct of companies under coverage with this rating	Pct for which Investment Banking services have been provided within the past 12 months
Buy (b)	45.8%	2.6%
Hold (c)	49.0%	1.1%
Sell (d)	5.2%	0.0%

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Anthera Pharmaceuticals - ANTH



Pricing data provided by Reuters America. Chart as of 5/6/10 in \$US.