

US | Biotechnology | AEGR

October 27, 2011

Lomitapide 1Q12 Filings On-Track

Fiscal Year Ends: Dec	2010A	2011E	2012E
Revenue (MM)	\$0	\$0	\$3
Previous Revenue (MM)	--	--	\$8
GAAP Earnings per Share			
Q1	-	(0.39)A	(0.58)
Q2	-	(0.49)A	(0.56)
Q3	(3.61)	(0.48)A	(0.60)
Q4	(0.92)	(0.65)	(0.54)
Year	(5.07)	(2.00)	(2.37)
Previous GAAP EPS	--	(1.96)	(1.90)
P/E GAAP	NM	NM	NM
Diluted Shares (MM)	4.5	19.4	21.5

Recommendation

Price
Target

BUY

\$14.62

\$27.00

Key Data

52-Week Range	\$25.92-\$9.00
Shares Outstanding (MM)	21.1
Market Cap (MM)	\$308
Avg. Daily Volume (000)	63
Float (MM)	14.0
% Held Institutionally	87.5%
Total Debt (MM)	\$8.7
Cash Per Share	\$3.94
Short Interest	3.50%

■ Investment Thesis - All eyes on NDA and MAA filings in 1Q12:

This morning, AEGR reported 3Q11 EPS of \$(0.48), in-line with our estimate and below Street consensus of \$(0.43), primarily due to higher-than-expected R&D expense associated with the lomitapide P3 study, preparations for regulatory filings and inventory build. The company remains on-track to file both its NDA and MAA for lomitapide in HoFH in 1Q12 (pending conclusion of the ongoing stability testing for the E.U.). In the U.S., management expects an FDA advisory panel review and launch by YE12 (publication of P3 56-week data to coincide with launch). We currently model for 4Q12 and 2Q13 (prev. 4Q12) lomitapide approvals in the U.S. (assume standard review, but 6-month priority review likely) and E.U. (assume 15-month review), respectively. In the near term, we believe pricing and commercialization of lomitapide in France by YE11, pending discussions with authorities in 4Q11 and receipt of ATU (we model for \$225K/patient/year in France and E.U.) and the lomitapide P3 78-week data by YE11 (not part of the initial filing) could serve as a catalyst for AEGR shares.

■ New timelines for FC and pediatric HoFH:

AEGR expects to initiate the FC study in 2012, following FDA and EMA feedback on the finalized protocol (likely similar design to adult HoFE P3; ~30-40 patients). In 2012, AEGR also expects to develop a spray/liquid formulation of lomitapide for use in the pediatric HoFH trial to accommodate young patients unable to swallow capsules (as per EMA feedback), with study initiation now expected in late 2012/early 2013.

■ 3Q11 financial results and changes to model:

AEGR reported 3Q11 GAAP R&D expense of \$7.1M, above our estimate of \$6.0M, while GAAP SG&A expense was \$3.5M, below our estimate of \$3.8M. AEGR exited 3Q11 with \$82.9M in cash, and reiterated its FY11 cash burn guidance of \$29.5M-\$32.5M. As a result of the delay in the pediatric HoFH trial initiation, we model for approval in the U.S. in mid-2016 and E.U. in YE16 (vs. mid-2014 and YE14 previously).

Stock Performance



	1m	3m	12m
Performance	-0.9%	-6.4%	44.9%

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: 3Q11 Variance Table

(\$thousands, except per share data)

	Sep 3Q11A	Sep 3Q11E	Variance A-E	Variance %	Y/Y %	Q/Q %
Revenue						
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
Total Revenue	\$ -	\$ -	-	n/a	n/a	n/a
COGS	-	-	-	n/a	n/a	n/a
Gross profit	-	-	-	n/a	n/a	n/a
Operating expense						
R&D	7,105	6,032	1,073	-85%	433%	38%
SG&A	3,456	3,898	(442)	-113%	126%	8%
Total operating expense	10,562	9,930	632	-94%	269%	27%
Operating income (loss)	(10,562)	(9,930)	(632)	-94%	269%	27%
Interest Expense	(335)	(332)	(3)	-99%	-45%	1%
Interest Income	96	140	(44)	-146%	542%	37%
Change in fair value of warrant liability	-	-	-	n/a	n/a	n/a
Other income, net	680	-	680	n/a	n/a	n/a
Total Other Income	441	(191)	633	43%	-118%	-269%
Income Before Income Taxes	(10,120)	(10,121)	1	-100%	91%	18%
Income Tax Provision	-	-	-	n/a	n/a	n/a
Accretion of preferred stock dividends	-	-	-	n/a	n/a	n/a
Net income (GAAP)	\$ (10,120)	\$ (10,121)	1	-100%	64%	18%
GAAP EPS (diluted)	\$ (0.48)	\$ (0.48)	(0.00)	-99%	-87%	-1%
Weighted shares outstanding diluted - GAAP	21,064	21,226	(162)	-101%	1133%	19%

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	1Q12	Submit U.S. regulatory filing
	HoFH	1Q12	Submit E.U. regulatory filing
	HoFH	YE11	Full Phase 3 78-week data
	HoFH	YE11	Potential ATU approval in France
	Pediatric HoFH	Late-2012 / 1H13	Initiation of a pivotal study
	FC	2012	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
Revenue												
Lomitapide Total Revenue	-	-	\$ 3,082	\$ 8,236	\$ 36,798	\$ 40,074	\$ 73,057	\$ 76,740	\$ 107,074	\$ 122,860	\$ 139,407	\$ 166,075
Lomitapide HoFH - U.S.	-	-	3,082	6,940	23,882	23,882	41,813	44,087	60,945	69,247	78,456	91,817
Lomitapide HoFH - E.U.	-	-	-	1,296	12,916	16,192	31,244	32,653	46,128	53,613	60,950	74,258
Milestone, Contract Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	\$ -	\$ -	\$ 3,082	\$ 8,236	\$ 36,798	\$ 40,074	\$ 73,057	\$ 76,740	\$ 107,074	\$ 122,860	\$ 139,407	\$ 166,075
COGS	-	-	247	659	4,784	5,210	9,497	9,976	12,849	14,743	15,335	18,268
Gross profit	-	-	2,835	7,577	32,014	34,865	63,560	66,764	94,225	108,117	124,072	147,807
Operating expense												
R&D	24,651	21,988	27,094	25,523	27,002	27,002	28,412	28,412	30,211	30,211	32,113	31,783
SG&A	14,584	15,846	24,035	20,321	25,433	25,433	28,001	28,001	30,523	30,523	32,683	32,683
Total operating expense	39,235	37,834	51,129	45,844	52,435	52,435	56,413	56,413	60,734	60,734	64,796	64,466
Operating income (loss)	(39,235)	(37,834)	(48,047)	(38,267)	(20,421)	(17,570)	7,147	10,351	33,491	47,383	59,276	83,341
Interest Expense	(1,114)	(1,108)	(2,899)	(2,887)	(2,899)	(2,887)	(2,899)	(2,887)	(1,933)	(1,925)	-	-
Interest Income	334	404	97	105	84	126	97	127	203	253	426	523
Change in fair value of warrant liability	-	-	-	-	-	-	-	-	-	-	-	-
Other income, net	680	-	-	-	-	-	-	-	-	-	-	-
Total Other Income	(100)	(704)	(2,802)	(2,782)	(2,815)	(2,762)	(2,802)	(2,760)	(1,730)	(1,672)	426	523
Income Before Income Taxes	(39,335)	(38,537)	(50,849)	(41,049)	(23,236)	(20,332)	4,345	7,591	31,761	45,710	59,702	83,864
Income Tax Provision	-	-	-	-	-	-	-	-	-	-	(5,970)	(4,193)
Accretion of preferred stock dividends	-	-	-	-	-	-	-	-	-	-	-	-
Net income (GAAP)	\$ (39,335)	\$ (38,537)	\$ (50,849)	\$ (41,049)	\$ (23,236)	\$ (20,332)	\$ 4,345	\$ 7,591	\$ 31,761	\$ 45,710	\$ 53,732	\$ 79,671
GAAP EPS (diluted)	\$ (2.00)	\$ (1.96)	\$ (2.37)	\$ (1.90)	\$ (1.06)	\$ (0.93)	\$ 0.18	\$ 0.32	\$ 1.32	\$ 1.90	\$ 2.21	\$ 3.28
Weighted shares outstanding												
diluted - GAAP	19,421	19,502	21,461	21,625	21,893	21,841	23,866	23,814	24,105	24,052	24,346	24,293

Source: Collins Stewart LLC Research and Company Reports

Valuation and Risks

Our 12-month PT of \$27 is based on 35x our fully taxed, fully diluted FY16 (prev. FY15) GAAP EPS estimate of \$2.21 (prev. \$1.90) discounted back to YE12 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

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Consolidated Income Statement

(\$thousands, except per share data)

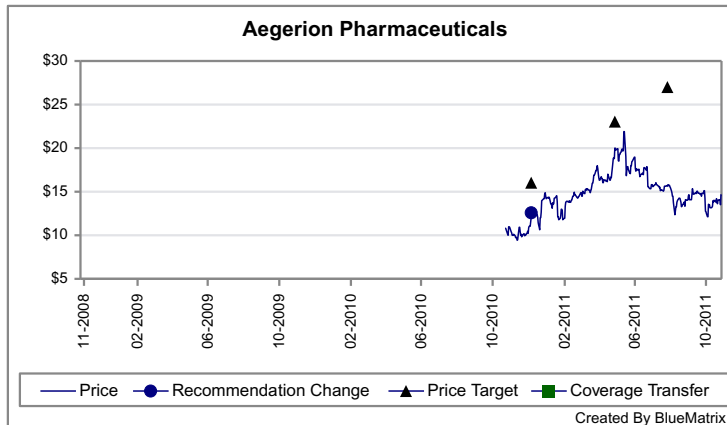
	FY 2008A	FY 2009A	FY 2010A	Mar 1Q11A	Jun 2Q11A	Sep 3Q11A	Dec 4Q11E	FY 2011E	Mar 1Q12E	Jun 2Q12E	Sep 3Q12E	Dec 4Q12E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E
Revenue																	
Lomitapide Total Revenue	-	-	-	-	-	-	-	-	-	-	-	3,082	\$ 3,082	\$ 36,798	\$ 73,057	\$ 107,074	\$ 139,407
Lomitapide HoFH - U.S.	-	-	-	-	-	-	-	-	-	-	-	3,082	3,082	23,882	41,813	60,945	78,456
Lomitapide HoFH - E.U.	-	-	-	-	-	-	-	-	-	-	-	-	-	12,916	31,244	46,128	60,950
Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,082	\$ 3,082	\$ 36,798	\$ 73,057	\$ 107,074	\$ 139,407
COGS																	
Gross profit	-	-	-	-	-	-	-	-	-	-	-	247	247	4,784	9,497	12,849	15,335
Operating expense																	
R&D (GAAP)	17,712	7,041	7,629	3,297	5,138	7,105	9,111	24,651	7,553	6,553	6,000	6,988	27,094	27,002	28,412	30,211	32,113
SG&A (GAAP)	5,185	3,075	5,922	3,491	3,205	3,456	4,432	14,584	4,611	5,182	6,746	7,496	24,035	25,433	28,001	30,523	32,683
Total operating expense	22,897	10,116	13,551	6,787	8,343	10,562	13,543	39,235	12,164	11,735	12,746	14,484	51,129	52,435	56,413	60,734	64,796
Operating income (loss)	(22,897)	(10,116)	(13,551)	(6,787)	(8,343)	(10,562)	(13,543)	(39,235)	(12,164)	(11,735)	(12,746)	(11,402)	(48,047)	(20,421)	7,147	33,491	59,276
Interest Expense	(1,127)	(2,083)	(2,404)	(113)	(332)	(335)	(335)	(1,114)	(335)	(335)	(335)	(335)	(2,899)	(2,899)	(2,899)	(1,933)	-
Interest Income	533	177	109	68	70	96	101	334	86	73	64	50	97	84	97	203	426
Change in fair value of warrant liability	91	(174)	(416)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income, net	(1,635)	-	215	-	-	680	-	680	-	-	-	-	-	-	-	-	-
Total Other Income	(2,138)	(2,080)	(2,496)	(45)	(262)	441	(234)	(100)	(248)	(262)	(271)	(284)	(2,802)	(2,815)	(2,802)	(1,730)	426
Income Before Income Taxes	(25,035)	(12,196)	(16,047)	(6,832)	(8,605)	(10,120)	(13,777)	(39,335)	(12,412)	(11,997)	(13,017)	(11,687)	(50,849)	(23,236)	4,345	31,761	59,702
Income Tax Provision	-	-	1,793	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,970)
Accretion of preferred stock dividends	(6,242)	(3,287)	(8,751)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (GAAP)	\$ (31,277)	\$ (15,483)	\$ (23,005)	\$ (6,832)	\$ (8,605)	\$ (10,120)	\$ (13,777)	\$ (39,335)	\$ (12,412)	\$ (11,997)	\$ (13,017)	\$ (11,687)	\$ (50,849)	\$ (23,236)	\$ 4,345	\$ 31,761	\$ 53,732
GAAP EPS (diluted)	\$ (20.92)	\$ (9.35)	\$ (5.07)	\$ (0.39)	\$ (0.49)	\$ (0.48)	\$ (0.65)	\$ (2.00)	\$ (0.58)	\$ (0.56)	\$ (0.60)	\$ (0.54)	\$ (2.37)	\$ (1.06)	\$ 0.18	\$ 1.32	\$ 2.21
Weighted shares outstanding diluted - GAAP	1,495	1,657	4,537	17,642	17,729	21,064	21,248	19,421	21,354	21,461	21,568	21,676	21,461	21,893	23,866	24,105	24,346
Margin Analysis:																	
Cost of product sales	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	8%	8%	13%	13%	12%	11%
Product gross margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	92%	87%	87%	88%	89%
R&D (non-GAAP)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	879%	73%	39%	28%	23%
SG&A (non-GAAP)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	780%	69%	38%	29%	23%
Stock-based compensation expense	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	258%	24%	14%	10%	8%
Total operating expense	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	1659%	142%	77%	57%	46%
Operating margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	-1559%	-55%	10%	31%	43%
Income tax provision	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	0%	0%	0%	0%	10%
Net margin (GAAP)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	6%	30%	39%
Y/Y change:																	
Total revenue	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	1094%	99%	47%	30%
R&D	31%	-60%	8%	nm	nm	nm	nm	223%	nm	nm	nm	nm	10%	0%	5%	6%	6%
SG&A	-15%	-41%	93%	nm	nm	nm	nm	146%	nm	nm	nm	nm	65%	6%	10%	9%	7%
Stock-based compensation expense	-30%	-25%	125%	nm	nm	nm	nm	208%	nm	nm	nm	nm	23%	12%	11%	9%	9%
Total operating expense	17%	-56%	34%	nm	nm	nm	nm	190%	nm	nm	nm	nm	30%	3%	8%	8%	7%
Operating income	17%	-56%	34%	nm	nm	nm	nm	190%	nm	nm	nm	nm	22%	-57%	-135%	369%	77%
Net income (GAAP)	31%	-50%	49%	nm	nm	nm	nm	71%	nm	nm	nm	nm	29%	-54%	-119%	631%	69%
GAAP EPS (diluted)	9%	-55%	-46%	nm	nm	nm	nm	-61%	nm	nm	nm	nm	18%	-55%	-117%	624%	68%
Shares outstanding - GAAP	20%	11%	174%	nm	nm	nm	nm	328%	nm	nm	nm	nm	11%	2%	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	\$14.62	BUY



Ticker	Date	Action	Prior Rating	Current Rating	Price	Target Price
AEGR	2011-07-27	Raising Target Price	BUY	BUY	\$15.76	\$27.00
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

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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	54%	0%
Hold	42%	0%
Sell	4%	0%

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