# Alimera Sciences (ALIM)

| | |
|---|---|
| Rating | **OUTPERFORM* [V]** |
| Price (28 Jun 10, US$) | 8.08 |
| Target price (US$) | 16.00[1] |
| 52-week price range | 11.06 - 7.93 |
| Market cap. (US$ m) | 266.64 |
| Enterprise value (US$ m) | 243.81 |

**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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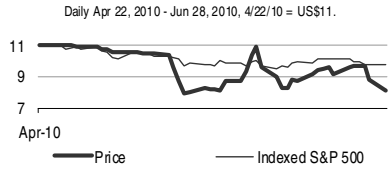
**CATALYST ALERT**

## Iluvien NDA Filed, Priority Review Decision Awaited

- **What Happened:** This morning Alimera announced that it has filed its NDA for Iluvien in treatment of diabetic macular edema (DME), with a request for priority review.
- **Our Take:** The filing was in line with Alimera's guidance for a filing approximately on June 28, and should come as no surprise to investors. However it is a positive sign that Alimera remains on track with its planned timeline to market, and the stock may be up modestly.
- **What's Next:** If Alimera is granted priority review by the FDA, the company should receive this decision in approximately 60 days. We believe that Iluvien will likely qualify for priority review, given the degree of unmet need in DME and the successful precedents in retinal diseases that have received priority review, as we wrote in our initiation note of June 2. Priority review could enable approval by year end and launch in January.

**Share price performance**




*On 06/28/10 the S&P 500 index closed at 1074.57*

| Quarterly EPS | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| 2009A | — | — | — | — |
| 2010E | -4.37 | -0.34 | -0.27 | -0.40 |
| 2011E | -0.03 | 0.01 | 0.12 | 0.15 |

**Financial and valuation metrics**

| Year | 12/09A | 12/10E | 12/11E | 12/12E |
|---|---|---|---|---|
| EPS (CS adj.) (US$) | -19.30 | -1.58 | 0.26 | 1.51 |
| Prev. EPS (US$) | — | — | — | — |
| P/E (x) | NM | NM | 30.8 | 5.3 |
| P/E rel. (%) | NM | NM | 284.1 | 55.7 |
| Revenue (US$ m) | — | — | 96.5 | 197.7 |
| EBITDA (US$ m) | -18.1 | -31.4 | 17.3 | 87.6 |
| OCFPS (US$) | -11.6 | -1.9 | -0.2 | 2.1 |
| P/OCF (x) | — | -4.2 | -42.6 | 3.9 |
| EV/EBITDA (current) | -15.3 | -7.8 | 14.5 | 2.0 |
| Net debt (US$ m) | 10 | -23 | -16 | -88 |
| ROIC (%) | — | — | — | — |

| | | | |
|---|---|---|---|
| Number of shares (m) | 33.00 | IC (12/09A, US$ m) | — |
| BV/share (current, US$) | 1.7 | EV/IC (x) | — |
| Net debt (current, US$ m) | -64.1 | Dividend (12/09A, US$) | — |
| Net debt/tot. cap. (%)(12/09A, | — | Dividend yield (%) | — |

*Source: Company data, Credit Suisse estimates.*

**Companies Mentioned** *(Price as of 28 Jun 10)*
Alimera Sciences (ALIM, $8.08, OUTPERFORM [V], TP $16.00)

# Disclosure Appendix

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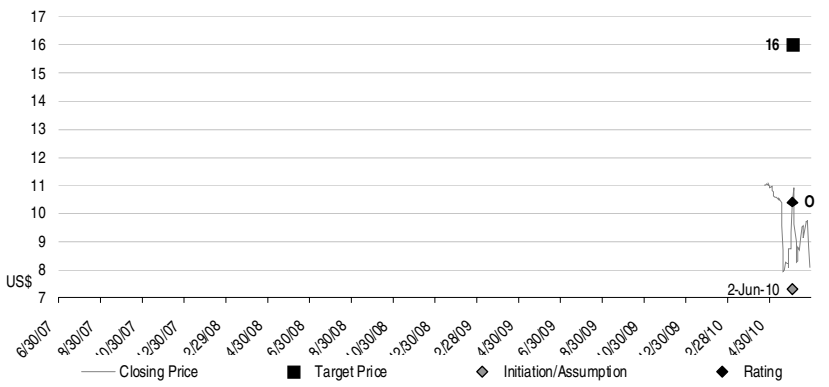
*See the Companies Mentioned section for full company names.*

**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 |




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

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|---|---|---|
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| **Restricted** | 2% | |

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**Price Target:** (12 months) for (ALIM)

**Method:** Our $16 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 75% 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 $16 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, particularly if Iluvien approval is delayed beyond the expected December 2010; 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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