



Horizon Pharma, Inc. ^(1,2,3)

1Q Duexis Metrics Tracking Well and Company Funded for Continued Progress

MARKET OUTPERFORM

HZNP \$3.51

Charles C. Duncan, PhD

cduncan@jmpsecurities.com
(212) 906-3510

Roy Buchanan, PhD

rbuchanan@jmpsecurities.com
(212) 906-3514

Gena H. Wang, PhD

gwang@jmpsecurities.com
(212) 906-3528

Price	\$3.51	FY Dec		2011A	2012E	2013E
Target Price	\$16.00	Revenue (M)	1Q	\$1.8	\$2.5A	\$18.6
52-Wk Range	\$3.05 - \$9.34		2Q	\$1.3	\$3.2	\$25.5
Shares Out. (M)	33.5		3Q	\$0.3	\$6.9	\$32.7
Market Cap. (M)	\$118		4Q	\$3.5	\$12.6	\$40.0
Average Daily Vol. (000)	0.25		FY	\$6.9	\$25.2	\$116.8
Float (M)	33					
				2011A	2012E	2013E
LT Debt (M)	50.4	EPS	1Q	(\$5.13)	(\$0.85)A	(\$0.48)
Cash (M)	80.4		2Q	(\$7.78)	(\$0.83)	(\$0.28)
Enterprise Value (M)	\$56.7		3Q	(\$1.18)	(\$0.82)	(\$0.08)
Cash/Share	\$2.40		4Q	(\$0.97)	(\$0.64)	\$0.12
			FY	(\$5.38)	(\$3.15)	(\$0.72)
			P/E	NM	NM	NM
		Previous FY		--	(\$2.68)	(\$1.03)
		CY		(\$5.38)	(\$3.15)	(\$0.72)
		PE		NM	NM	NM

NC indicates no change to previous estimate. NE indicates no previous estimate.

Source: Company reports and JMP Securities

INVESTMENT HIGHLIGHTS

- Duexis performing as expected and Lodotra regulatory feedback bodes well for approval; reiterate Market Outperform rating and \$16 price target on Horizon Pharma.** Horizon reported 1Q12 financial results approximately in-line with expectations, accounting for a lower than expected share count and one-time interest expense. Importantly, the company ended the quarter with approximately \$80MM in cash, which we believe should fund operations into 1H13. The Duexis launch is early but performance to date is exceeding our expectations on several metrics including physician feedback (~90% can identify patients suited for Duexis and ~75% intended to use samples of Duexis), boding well for continued growth given greater physician experience with the drug, in our view. We derive our \$16 price target from 4x estimated U.S. revenues and 7x estimated EU royalties for Duexis and Rayos in 2017, discounted at 20% (30% for Duexis in the EU and Rayos in the US).
- Duexis metrics demonstrate good execution.** Horizon is on track for the 2nd half expansion of the sales force from 80 reps to approximately 160 to support both expanded Duexis efforts as well as the launch of Rayos. To bridge the expansion, Horizon is utilizing a contract organization to provide ~4,000 details for Duexis per month. Importantly, in our view, beyond the physician feedback, approximately 70% of commercial lives in the U.S. are covered at this point and ~80% of patients' copays are below \$25 out of pocket. These dynamics are likely to drive broadened experience with the drug, leading to positive patient feedback and word-of-mouth, which may be an important driver for sales, in our view. Horizon anticipates a decision on the updated Duexis MAA application sometime in 2H12.
- Rayos PDUFA appears to be on track.** Rayos (the U.S. name for Lodotra) has its PDUFA date on 7/26/2012. According to management, the communications to date with the FDA regarding the NDA have been routine, chemistry and manufacturing questions. Given the extensive clinical safety and efficacy data for the product, we anticipate approval on or before the PDUFA date.

FOR DISCLOSURE AND FOOTNOTE INFORMATION, REFER TO THE JMP FACTS AND DISCLOSURES SECTION

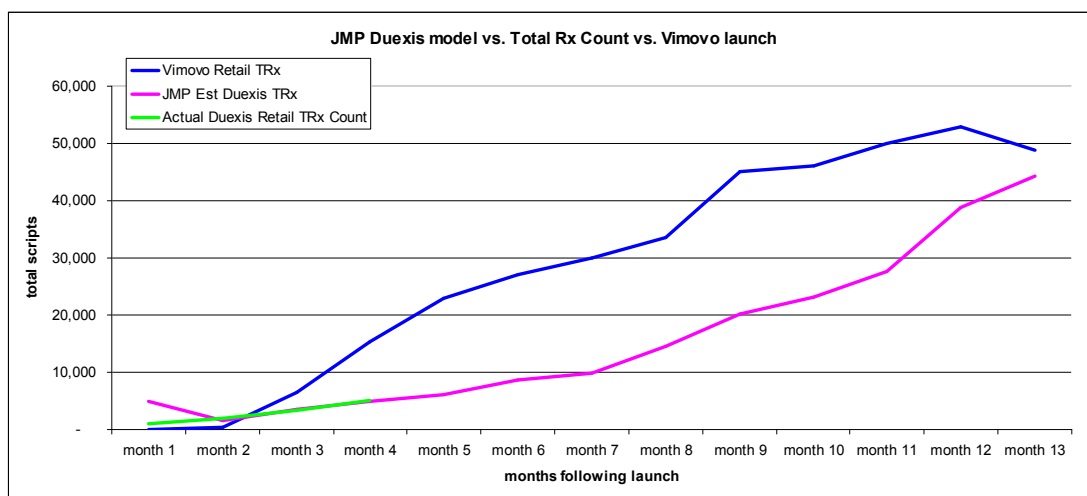
1Q12 financials largely in-line. Horizon reported 1Q12 EPS of a non-GAAP loss of (\$0.85) vs. our expectations for a loss of (\$0.66) and consensus of (\$0.92) (Figure 1). One component of the difference between our expectations and actual results includes our projection for a higher quarter end share count. Also, Horizon reported ~\$4.6MM in interest expense due to extinguishment of certain debts, in excess of our expectation for ~\$2.0MM. Horizon reported total revenues of \$2.5MM, including \$1.1MM in gross Duexis sales, vs. our estimate for \$1.7MM in revenues. Duexis prescriptions for the first quarter are tracking inline with our projections (Figure 2). Total operating expenses of \$20.2MM were slightly better than our estimate of \$21.6MM, with R&D spending of \$4.1MM vs. our \$4.0 and SG&A of \$16.2MM vs. our \$17.6MM.

FIGURE 1: 1Q12 Results, Actual vs. Estimates

HZNP	1Q12			2012 est		
	JMP est	Consensus	Actual	JMP old	JMP new	Consensus
Revenue	1.7	3.7	2.5	24.3	25.2	39.2
COGS	0.6		2.1	6.6	8.0	
R&D	4.0		4.1	18.0	18.4	
SG&A	17.6		16.2	85.7	78.7	
Total operating expense	21.6		20.2	103.6	97.1	
Non-GAAP Net income (loss)	(20.7)	(17.1)	(20.5)	(92.0)	(76.9)	(52.6)
Shares outstanding (diluted)	33.8		24.1	34.3	24.5	
Non-GAAP EPS (diluted)	(\$0.66)	(\$0.92)	(\$0.85)	(\$2.68)	(\$3.15)	(\$2.49)

Source: Company reports and JMP Securities LLC

FIGURE 2: Duexis Prescription Trends



Source: Wolters Kluwer and JMP Securities LLC

INVESTMENT RISKS

Regulatory risk. The FDA, and/or other ex-U.S. regulatory agencies, could reject any of the firms', or its partners', future regulatory filings or require additional studies prior to granting approval.

Commercial risk. If successfully developed and approved, Horizon's products may face competition both from approved products and also potentially from new product candidates in development by biotechnology and pharmaceutical companies. The company may also face IP risk from competing brand or generic products or product candidates.

Balance sheet risk. The expenses associated with drug development and commercialization are high. Horizon may return to the capital markets to secure additional financing to fund current or future development programs or marketing efforts. Importantly, the company reported pro forma cash of \$82.5MM as of March 16th, which we model as sufficient through 1Q13.

COMPANY DESCRIPTION

Horizon Pharma is a specialty pharmaceutical company focused on the development and commercialization of novel drug formulations for the treatment of pain and inflammatory indications, particularly arthritis. The company has two approved products, Duexis in the U.S. and Lodotra (Rayos) in Europe. The primary near/mid-term drivers for Horizon are successful execution on the launch of Duexis in the U.S. as well as U.S. approval of Rayos. Horizon has partnered Lodotra in Europe and Asia, with Mundipharma and Merck/Serono, and intends to secure a partner for Duexis for ex-U.S. geographies.

JMP FACTS AND DISCLOSURES

Analyst Certification:

The research analyst(s) who prepared this report does/do hereby certify that the views presented in this report are in accordance with my/our personal views on the securities and issuers discussed in this report. As mandated by SEC Regulation AC no part of my/our compensation was, is or will be directly or indirectly related to the specific views or recommendations expressed herein. This certification is made under the obligations set forth in SEC Regulation AC. Any other person or entity may not use it for any other purpose. This certification is made based on my/our analysis on the date of this report's publication. I/We assume no obligation to update this certification to reflect any facts, circumstances or events that may subsequently come to my/our attention. Signed Charles C. Duncan, PhD, Roy Buchanan, PhD, Gena H. Wang, PhD

Publicly Traded Companies Covered by JMP and Mentioned in This Report (as of May 11, 2012):

Company	Disclosures
Horizon Pharma, Inc.	(1,2,3)

JMP Securities Disclosure Definitions:

(1) JMP Securities currently makes a market in this security. (2) JMP Securities has received compensation for banking or other services rendered to this company in the past 12 months. (3) JMP Securities was manager or co-manager of a public offering for this company in the past 12 months. (4) JMP Securities participated as an underwriting or selling group member of a public offering by this company in the past 12 months. (5) JMP Securities and/or its affiliates have obtained a position of at least 1% in the equity securities of this company during the ordinary course of its/their business/investments. (6) An officer of JMP Securities is a director or officer of this company. (7) The analyst covering this company (as defined in NASD Rule 2711) or a member of the analyst's household has a financial interest in this company. (8) The analyst covering this company or a member of the analyst's household serves as an officer, director, or advisory board member of this company. (9) The analyst covering this company has had discussions of employment with the company.

JMP Securities Investment Opinion Definitions:

Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

Market Perform (MP): JMP Securities expects the stock price to perform in line with relevant market indices over the next 12 months.

Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

JMP Securities Research Ratings and Investment Banking Services: (as of April 2, 2012)

JMP Rating	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Rating	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months	% of Co's With This Rating
Market Outperform	Buy	225	63%	Buy	225	63%	40	18%
Market Perform	Hold	127	35%	Hold	127	35%	16	13%
Market Underperform	Sell	7	2%	Sell	7	2%	0	0%
TOTAL:		359	100%		359	100%	56	16%

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with NASD Rule 2711, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: Jovus and JMP Securities.



JMP Disclaimer:

JMP Securities LLC (the "Firm") compensates research analysts, like other Firm employees, based on the Firm's profitability, which includes revenues from the Firm's institutional sales, trading, and investment banking departments as well as on the quality of the services and activities performed that are intended to benefit the Firm's institutional clients. These data have been prepared by JMP Securities LLC for informational purposes only and are based on information available to the public from sources that we believe to be reliable, but we do not guarantee their accuracy or completeness. Any opinions and projections expressed herein reflect our judgment at this date and are subject to change without notice. These data are neither intended nor should be considered as an offer to sell or a solicitation or a basis for any contract for the purchase of any security or other financial product. JMP Securities LLC, its affiliates, JMP Group LLC, Harvest Capital Strategies LLC, and their respective partners, directors, officers, and associates may have a long or short position in, may act as a market maker for, or may purchase or sell a position in the securities mentioned herein. JMP Securities LLC or its affiliates may be performing, have performed, or seek to perform investment banking, advisory, or other services and may have acted as manager or co-manager for a public offering of securities for any company mentioned herein. The reader should assume that JMP Securities LLC will solicit business from the company covered in this report. Members of our Sales and Trading Department provide oral and/or written market opinions and trading strategies to our clients that reflect their personal opinions about stocks that are the subject of the firm's research reports. Our research analysts discuss trading strategies with clients and complete surveys from clients that sometimes reflect short-term expectations for the price of the securities that are the subject of research reports. Those trading strategies and survey responses are distinct from the analysts' fundamental rating for the stock, which is based upon the analysts' view compared to other stocks under coverage for the relevant time period. © Copyright 2012. All rights reserved by JMP Securities LLC. JMP Securities LLC is a member of BATS, FINRA, NASDAQ, and SIPC.



JMP SECURITIES LLC

600 Montgomery Street, Suite 1100, San Francisco, CA 94111-2713, www.jmpsecurities.com

Jeffrey H. Spurr
Director of Equity Research
(415) 835-3903

Financial Services

Capital Markets

David Trone	(212) 906-3525
Steven Fu, CFA	(212) 906-3548
Chris Ross, CFA	(212) 906-3532

Asset Managers

Steven Fu, CFA	(212) 906-3548
----------------	----------------

Market Structure

Chris Ross, CFA	(212) 906-3532
-----------------	----------------

Financial Processing & Outsourcing

David M. Scharf	(415) 835-8942
-----------------	----------------

Kevane A. Wong	(415) 835-8976
----------------	----------------

Insurance

Matthew J. Carletti	(312) 768-1784
Christine Worley	(312) 768-1786

Residential & Commercial Real Estate Finance

Steven C. DeLaney	(404) 848-7773
Trevor Cranston, CFA	(415) 869-4431

Trevor Cranston, CFA	(415) 869-4431
----------------------	----------------

Healthcare

Biotechnology

Charles C. Duncan, PhD	(212) 906-3510
Roy Buchanan, PhD	(212) 906-3514
Jason N. Butler, PhD	(212) 906-3505
Gena H. Wang, PhD	(212) 906-3528

Liisa A. Bayko	(312) 768-1785
Heather Behanna, PhD	(312) 768-1795

Jason N. Butler, PhD	(212) 906-3505
----------------------	----------------

Healthcare Facilities & Services

Peter L. Martin, CFA	(415) 835-8904
Aaron Hecht	(415) 835-3963

Healthcare Services

Constantine Davides, CFA	(617) 235-8502
Tim McDonough	(617) 235-8504

Medical Devices

J. T. Haresco, III, PhD	(415) 869-4477
-------------------------	----------------

Real Estate

Hotels & Resorts

William C. Marks	(415) 835-8944
------------------	----------------

Real Estate & Property Services

William C. Marks	(415) 835-8944
------------------	----------------

REITs: Healthcare

Peter L. Martin, CFA	(415) 835-8904
Aaron Hecht	(415) 835-3963

REITs: Office & Industrial

Mitch Germain	(212) 906-3546
Joshua Levin	(212) 906-3579

Technology

Cleantech and Energy Technology

Alex Gauna	(415) 835-8998
------------	----------------

Shawn Severson	(415) 835-8915
Ralph Fong	(415) 835-8916

Communications Equipment

Erik Suppiger	(415) 835-3918
---------------	----------------

Digital Media

Mark Harding, CFA	(212) 906-3520
-------------------	----------------

Internet

Mark Harding, CFA	(212) 906-3520
-------------------	----------------

Semiconductors

Alex Gauna	(415) 835-8998
------------	----------------

Software

Patrick Walravens	(415) 835-8943
Greg McDowell	(415) 835-3934
Peter Lowry	(415) 869-4418

Greg McDowell	(415) 835-3934
---------------	----------------

For Additional Information

Maureen McCarthy
Director of Sales & Trading
(415) 835-3935

Tracy Strelow
Vice President, Head of Publishing
(415) 835-8949