Esperion Therapeutics

Pharma & biotech

14 August 2013

Investment summary: Statin alternative

Esperion's recent NASDAQ IPO raised $75m net (5.75m shares at $14/s), providing the funds to advance its once-daily ETC-1002 through two Phase IIb studies in hypercholesterolemia. ETC-1002 has shown LDL-C reductions comparable to statins thus far in statin-intolerant (SI) patients, which if repeated in future trials represents a potential blockbuster market opportunity, although long-term safety must also be established.

ETC-1002 investigated as new cholesterol treatment

ETC-1002 is an oral small molecule, which inhibits ATP citrate lyase (ACL) and activates AMP kinase, thereby enabling the liver to take up low-density lipoprotein cholesterol (LDL-C) particles from the blood. Esperion's initial strategy is to develop ETC-1002 for patients with high LDL-C who are SI, for example due to muscle pain or weakness, reflecting approximately two million adults in the US alone.

Competitive LDL-C reductions in Phase IIa studies

ETC-1002 lowered LDL-C by a mean 32% in an eight-week Phase IIa (n=56) trial in SI patients and was well tolerated, with a similar incidence of muscle-related adverse events as placebo. High-sensitivity C-reactive protein (hsCRP), a key inflammation marker, was also reduced to levels comparable to statin therapy. Esperion will start a 12-week Phase IIb trial (n=322) in this group in October (results Q414) comparing ETC-1002 to ezetimibe. The most-prescribed LDL-C lowering drugs in SI patients (ezetimibe or colesevelam) reported 15-18% mean LDL-C reductions in pivotal trials (vs 35-60% for statins), with little effect on hsCRP.

Statin-resistant patients are a broader target market

Esperion is also advancing ETC-1002 as an add-on to statins in statin-resistant hypercholesterolemia patients (c 11m adults in US alone). Results from a Phase IIa (n=52) study of ETC-1002 with atorvastatin are expected in early September, a significant near-term catalyst.

Valuation: $177m EV discounts development risk

We estimate Esperion's post-IPO net cash at $91m. The two Phase IIb trials will increase the burn rate (from $10.8m in FY12), but Esperion estimates it has sufficient funds to complete these studies and start a Phase III trial in SI patients in 2015. The current EV of $177m discounts the multi-billion dollar sales opportunity, hence confirmation of LDL-C reductions in Phase IIb and solid long-term animal safety data should provide upside.

Consensus estimates

Year end	Revenue ($m)	PBT ($m)	EPS ($)	DPS ($)	P/E (x)	Yield (%)
12/11	0.0	(10.8)	(36.2)	0.0	N/A	N/A
12/12	0.0	(11.7)	(36.3)	0.0	N/A	N/A
12/13e	0.0	(22.2)	(1.91)	0.0	N/A	N/A
12/14e	0.0	(39.9)	(2.39)	0.0	N/A	N/A

Source: Bloomberg

Price	$17.44
Market cap	$268m

Share price graph

Share details

Code	ESPR
Listing	NASDAQ
Sector	Pharma & biotech
Shares in issue	15.36m

Business description

Esperion is developing therapeutics for elevated low-density lipoprotein cholesterol (LDL-C) and other cardiometabolic risk factors. Lead candidate ETC-1002 is in Phase II development in statin-intolerant and residual-risk hypercholesterolemia patients.

Bull

- Competitive LDL-C and hsCRP reductions with ETC-1002 and favourable safety profile.
- ETC-1002 novel mode of action adds potential for use with statins in residual risk patients.
- Preclinical assets: 4WF (HDL mimetic atherosclerosis) + ESP41091 (obesity/diabetes).

Bear

- Long development timeline in CVD indications; future financings and/or partnerships required.
- Increasing competition in hypercholesterolemia space (eg PCSK9 inhibitors).
- Partial clinical hold on ETC-1002 prevents studies >six months, until two-year pre-clinical carcinogenicity studies completed (due by YE14).

Analysts

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