

Esperion Therapeutics, Inc. (ESPR)

Focus on Phase 2b Results in 2H14

MARKET DATA

Price	\$16.38
52-Week Range:	\$10.90 - \$20.10
Shares Out. (M):	15.4
Market Cap (\$M):	\$252.3
Average Daily Vol. (000):	35.0
Cash (M):	\$78
Cash/Share:	\$5.04
Enterprise Value (M):	\$141
LT Debt (M):	\$0

Source: Thomson Reuters and JMP Securities LLC

MARKET OUTPERFORM | Price: \$16.38 | Target Price: \$34.00

INVESTMENT HIGHLIGHTS

Earnings are in line as a data-rich 2014 is anticipated; we reiterate our Market Outperform rating and \$34 price target on Esperion Therapeutics, derived through a risk-adjusted NPV analysis of ETC-1002. Esperion reported 4Q13 earnings in line with our estimates but below consensus on higher than expected operating expenses. The company ended 4Q13 with cash of \$78MM and guided to YE2014 cash of \$40-\$45MM. During the conference call, management provided an update on development progress for ETC-1002 and we continue to anticipate results from two Phase 2b trials evaluating the drug in patients with elevated LDL cholesterol. We remain confident in the likelihood of positive results from these trials and remain buyers of the stock ahead of this key value-inflecting catalyst.

Second Phase 2b trial for ETC-1002 on track to begin this month. Esperion will randomize the first patient in the ETC-1002-009 trial (NCT02072161) later this month. This trial is evaluating patients with elevated LDL-C who are currently on a statin but remain inadequately controlled. ETC-1002-009 is designed to enroll ~132 patients with elevated LDL-C (fasting, calculated mean LDL-C ≥ 130 mg/dL and ≤ 220 mg/dL) who have been receiving stable therapy with a statin at a low or moderate dose (e.g., atorvastatin 10-20mg). Patients will be randomized (1:1:1) to one of two doses of ETC-1002 (120mg or 180mg) or placebo and will receive treatment for 12 weeks. The primary endpoint will be percent change from baseline in LDL-cholesterol. Secondary endpoints include percent change in non-HDL-C, ApoB, total cholesterol, high-sensitivity C-reactive protein (hsCRP), triglycerides, and lipoprotein particle numbers. Results from this trial, as well as the Phase 2b ETC-1002-008 trial, in statin tolerant and intolerant patients, are anticipated in 4Q14.

Several pre-clinical data read-outs anticipated this year. The company expects to have final data from the long-term, primate toxicology studies in 2Q14. In 4Q14, the company expects to have results from two-year pre-clinical carcinogenicity trials. While we acknowledge that these pre-clinical data read-outs are a focus for at least some investors, we maintain our comfort in the safety profile of ETC-1002 based on our analysis of the drug's structure, mechanism, and the pre-clinical and clinical data available to date.

FY DEC	2012A	2013A	2014E
Revenue (\$M) 1Q	--	\$0.0	\$0.0
2Q	--	\$0.0	\$0.0
3Q	--	\$0.0	\$0.0
4Q	--	\$0.0	\$0.0
FY	\$0.0	\$0.0	\$0.0
EPS 1Q	--	(\$0.84)	(\$0.64)
2Q	--	(\$19.82)	(\$0.64)
3Q	--	(\$0.34)	(\$0.64)
4Q	--	(\$0.63)	(\$0.64)
FY	(\$3.13)	(\$21.64)	(\$2.55)
Previous FY	NC	(\$21.65)	(\$3.15)

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE



4Q13 FINANCIAL SUMMARY

Esperion reported a 4Q13 EPS loss of (\$0.63), in line with our forecast of (\$0.65) and below consensus estimates of (\$0.56). As we anticipated, the company did not report any meaningful revenue. Total operating expenses were \$9.7MM, also in line with our forecast of \$9.9MM with lower than expected R&D costs and slightly higher than expected SG&A expenses. R&D expenses were \$7.3MM vs. our estimate of \$7.8MM and SG&A expenses were \$2.4MM compared to our estimate of \$2.1MM.

Cash and cash equivalents totaled \$77.6MM as of December 31, 2013. The company guided to YE2014 cash and cash equivalents of \$40-\$45MM. We believe this is enough cash to fund operations through 2015. YE2014 guidance for net cash used in operating expenses is ~\$35-\$40MM. We have updated our model to include 4Q13 financial results and updated guidance as summarized in Figure 1.

FIGURE 1. F4Q13 Earnings Summary and Changes to Our Model

ESPR	4Q13			2013 est			2014 est		
	JMP est	Cons	Actual	JMP est	Cons	Actual	JMP old	Cons	JMP new
Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
R&D	7.8		7.3	16.5		16.0	39.8		30.1
SG&A	2.1		2.4	6.5		6.7	9.1		9.6
Total operating expense	9.9		9.7	22.9		22.8	48.9		39.7
Net income (loss)	(9.9)	(7.1)	(9.7)	(26.3)	(24.4)	(26.1)	(48.9)	(37.8)	(39.7)
Shares outstanding (diluted)	15.3		15.3	1.2		7.9	15.5		15.5
EPS (diluted)	(\$0.65)	(\$0.56)	(\$0.63)	(\$21.65)	(\$19.18)	(\$21.64)	(\$3.15)	(\$2.38)	(\$2.55)

Source: JMP Securities LLC, Company reports

Company Description

Esperion Therapeutics is a biopharmaceutical company focused on the discovery, development, and commercialization of novel treatments for patients with elevated levels of low-density lipoprotein cholesterol (LDL-C) and other cardiometabolic risk factors. The company's lead development candidate is ETC-1002, an orally available small molecule therapy being developed for patients with elevated levels of LDL-C. The drug acts in the liver to: 1) inhibit ATP-citrate lyase, a key enzyme that supplies substrate for cholesterol and fatty acid synthesis, as well as glucose production, and 2) activate AMP kinase. The initial development focus for ETC-1002 is in patients who are not able to tolerate therapy with statins (the standard of care treatment for elevated LDL-C) and as an add-on to statins in patients who remain inadequately controlled on therapy. ETC-1002 is a wholly owned asset with an issued composition-of-matter patent providing protection in the U.S. at least through December 2025.

Investment Risks

Clinical Risk. Esperion's product candidates may fail to demonstrate adequate efficacy, safety, and/or tolerability in one or more clinical studies.

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.

Industry Risk. The biopharmaceutical industry is highly competitive, with many firms developing novel therapies that may address Esperion's target diseases. It is possible that breakthrough competitor products or therapies may render the company's products obsolete and affect the future survival of the company.

Balance Sheet Risk. The company has a history of losses, and has not yet established a track record of consistent profitability. While we project that the company will not need to raise additional capital to maintain profitability, it may be necessary to do so to fund the business model.

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JMP Securities Disclosures:

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JMP Securities was manager or co-manager of a public offering, and received compensation for doing so, for Esperion Therapeutics, Inc. in the past 12 months.

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.

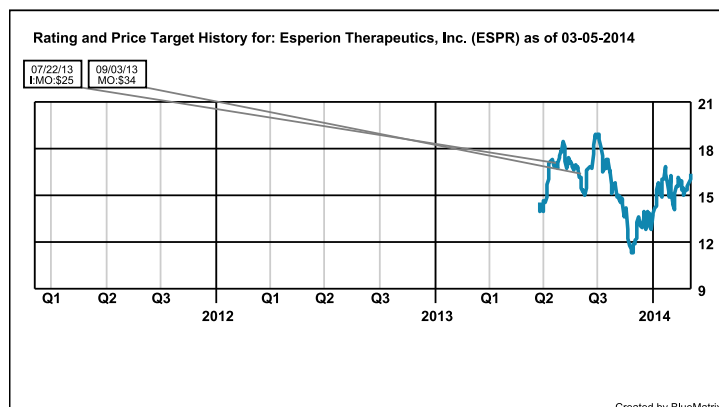
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

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JMP Rating	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Equivalent	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months	% of Co's With This Rating
MARKET OUTPERFORM	Buy	246	56.55%	Buy	246	56.55%	96	39.02%
MARKET PERFORM	Hold	138	31.72%	Hold	138	31.72%	18	13.04%
MARKET UNDERPERFORM	Sell	8	1.84%	Sell	8	1.84%	0	0%
COVERAGE IN TRANSITION		43	9.89%		43	9.89%	0	0%
TOTAL:		435	100%		435	100%	114	26.21%

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: JMP Securities.



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