Esperion Therapeutics, Inc. (ESPR)

Key Phase 2 Results on Track for 4Q14

MARKET DATA

Price	$14.23
52-Week Range:	$10.90 - $20.10
Shares Out. (M):	15.4
Market Cap ($M):	$219.1
Average Daily Vol. (000):	28.0
Cash (M):	$68
Cash/Share:	$4.43
Enterprise Value (M):	$151
LT Debt (M):	$0

Source: Thomson Reuters and JMP Securities LLC

FY DEC		2013A	2014E	2015E
Revenue ($M)	1Q	$0.0	$0.0A	--
	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)	($0.51)A	--
	2Q	($19.82)	($0.65)	--
	3Q	($0.34)	($0.65)	--
	4Q	($0.63)	($0.65)	--
	FY	**($21.64)**	**($2.46)**	**($1.76)**
Previous FY		NC	($2.55)	NE

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE

MARKET OUTPERFORM | Price: $14.23 | Target Price: $34.00

INVESTMENT HIGHLIGHTS

Positive outcome to non-clinical toxicology studies, as Phase 2b trials remain on track for results in 4Q14; we reiterate our Market Outperform rating and $34 price target on Esperion Therapeutics. Esperion reported 1Q14 earnings slightly ahead of our and consensus estimates, primarily due to lower than expected R&D spending. The company reiterated 2014 cash burn guidance of $35-$40MM, and views current cash of $68MM as sufficient to fund operations at least through YE2015. Progress with the two Phase 2b trials is advancing in line with our expectations and we continue to anticipate results from both in 4Q14. The company also announced results from the 12-month, non-clinical toxicology studies, stating that there were no unexpected findings. Our $34 price target is derived through a risk-adjusted NPV analysis of ETC-1002.

Results from ETC-1002 Phase 2b trials still anticipated in 4Q14. Esperion has now completed enrollment in the Phase 2b ETC-1002-008 trial, evaluating ETC-1002 vs. Zetia. The trial randomized approximately 350 patients vs. the planned 322 patients. Additionally, the ETC-1002-009 trial, evaluating the drug candidate as an add-on to statin therapy began enrolling patients in March 2014, in line with our timing expectations. Both trials involve a randomized, placebo-controlled, double-blind treatment period of 12 weeks.

Non-clinical safety studies produce no unexpected findings. Esperion now has final study reports from the 6-month rat and 12-month monkey toxicology studies. The company stated that there were no unexpected safety findings and the drug was well tolerated over study durations, at all doses tested. Management commented that it expects to share these data with the FDA later this quarter. The two-year carcinogenicity studies in mice and rats have also been completed and final reports are expected to be available in 4Q14. We continue to believe that both the preclinical and clinical safety/ tolerability profile of ETC-1002 has been favorable to date and supports broad use of the drug across populations with elevated LDL-C.

ALA posters provide support for benefit beyond LDL-C lowering. In addition to the drug's LDL-C lowering benefit, there is some evidence for improvement on other markers of cardiometabolic risk, including glucose and blood pressure. Esperion presented three posters earlier this month at the Annual Scientific Sessions of the National Lipid Association, with data from the completed Phase 2a trials for ETC-1002. One poster included a pooled analysis of the drugs' effect on blood pressure and the results demonstrated a statistically significant reduction in systolic blood pressure in patients who were mildly elevated at baseline (mean cuff SBP of 128mmHg). Reductions in diastolic blood pressure were also observed but did not reach statistical significance.

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1Q14 FINANCIAL SUMMARY

Esperion reported a 1Q14 EPS loss of ($0.51), ahead of our and consensus estimates ($0.64). The primary difference between our estimates and actual results was lower than expected R&D expenses. As expected, the company did not report any revenue for the quarter. Total operating expenses were $7.9MM, compared to our estimate of $9.8MM. R&D expenses were $5.4MM vs. our $7.4MM, and SG&A expenses were $2.5MM vs. our $2.4MM.

The company ended 1Q14 with cash and equivalents of $68MM and reiterated guidance for 2014 cash burn of $35-$40MM, based on which it expects to end the year with cash of $40-$45MM.

We have updated our model to incorporate 1Q14 financial results, as summarized in Figure 1.

FIGURE 1. 1Q14 Earnings Summary and Changes to Our Model

ESPR	1Q14			2014 est			2015 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**	**39.0**	**0.0**
R&D	7.4		5.4	30.1		28.1	25.6		23.9
SG&A	2.4		2.5	9.6		10.0	10.5		11.0
Total operating expense	9.8		7.9	39.7		38.0	36.1		34.8
Net income (loss)	**(9.8)**	**(9.7)**	**(7.9)**	**(39.7)**	**(38.9)**	**(38.0)**	**(36.1)**	**(15.5)**	**(34.8)**
Shares outstanding (diluted)	15.4		15.4	15.5		15.5	19.8		19.8
EPS (diluted)	**($0.64)**	**($0.64)**	**($0.51)**	**($2.55)**	**($2.47)**	**($2.46)**	**($1.82)**	**($2.30)**	**($1.76)**

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: 1) to inhibit ATP-citrate lyase, a key enzyme that supplies substrate for cholesterol and fatty acid synthesis, as well as glucose production, and 2) to 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 was manager or co-manager of a public offering of securities for Esperion Therapeutics, Inc. (ESPR) in the past 12 months, and received compensation for doing so.

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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.

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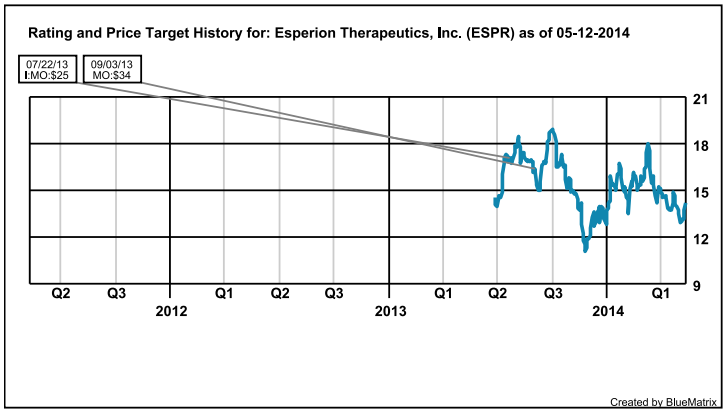
JMP Rating	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	# Co's Receiving IB Services in Past 12 Months	*% of Co's With This Rating*
MARKET OUTPERFORM	Buy	254	*57.99%*	Buy	254	*57.99%*	97	*38.19%*
MARKET PERFORM	Hold	136	*31.05%*	Hold	136	*31.05%*	17	*12.50%*
MARKET UNDERPERFORM	Sell	5	*1.14%*	Sell	5	*1.14%*	0	*0%*
COVERAGE IN TRANSITION		43	*9.82%*		43	*9.82%*	0	*0%*
TOTAL:		438	*100%*		438	*100%*	114	*26.03%*

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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