Esperion Therapeutics, Inc. (ESPR)

Continued Progress with ETC-1002 with Additional Phase 2a Results Within Weeks

MARKET DATA

Price	$16.69
52-Week Range:	$13.55 - $18.95
Shares Out. (M):	15.3
Market Cap ($M):	$255.4
Average Daily Vol. (000):	43.0
Cash (M):	$17
Cash/Share:	$1.08
Enterprise Value (M):	$238

Source: Thomson Reuters and JMP Securities LLC

FY DEC		2012A	2013E	2014E
Revenue ($M)	1Q	--	$0.0A	--
	2Q	--	$0.0A	--
	3Q	--	$0.0	--
	4Q	--	$0.0	--
	FY	**$0.0**	**$0.0**	**$0.0**
EPS	1Q	--	($0.84)A	--
	2Q	--	($19.82)A	--
	3Q	--	($0.36)	--
	4Q	--	($0.59)	--
	FY	**($3.13)**	**($21.61)**	**($2.91)**
Previous FY		NC	($2.02)	($3.68)

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE

MARKET OUTPERFORM | Price: $16.69 | Target Price: $25.00

INVESTMENT HIGHLIGHTS

No surprises in 2Q13 earnings with focus on upcoming Phase 2a results in the statin add-on population; reiterate Market Outperform rating and $25 price target on Esperion Therapeutics, derived through a risk-adjusted NPV analysis of ETC-1002. Esperion reported 2Q13 earnings roughly in line with our and consensus estimates. The company ended the quarter with $17MM and subsequently completed an IPO raising net proceeds of $75MM. As per company guidance, we view current cash as sufficient to fund operations through YE2015, enabling completion of the two planned Phase 2b trials for ETC-1002 in patients with elevated levels of LDL cholesterol (YE2014), and end-of-Phase 2 meeting with FDA (1H15). Near term, we look to results from the Phase 2a (ETC-1002-007) trial, evaluating the drug as an add-on to statin therapy. In our view, positive results from this trial (expected next month) could represent upside to our valuation of ~$10-15 per share.

Results in the statin-add-on population represent upside to our revenue estimates and valuation. Results from the Phase 2a trial evaluating ETC-1002 in patients who are not adequately controlled on statins alone (the residual risk population) are anticipated during the first half of September 2013. Recall that this two-arm trial, randomized 1:3, is comparing treatment with atorvastatin (10mg) to four escalating doses of ETC-1002 (60, 120, 180, 240mg) over an eight-week treatment period. Results will inform the design of the planned Phase 2b ETC-1002-009 trial, which we expect to be initiated by the end of 2013. The commercial opportunity in this patient population could be substantially greater than in the statin-intolerant opportunity. It is estimated that as many as 11 million patients have not achieved the National Institutes of Health's (NIH) cholesterol treatment goal despite statin therapy.

New details on Phase 2b trial design. Esperion remains on track to initiate the Phase 2b ETC-1002-008 trial in 4Q13 and today provided additional clarity that the trial should begin in October, as well as disclosing new details on trial design. Slightly different to our previous expectations, the trial will include both statin-intolerant and -tolerant patients, with the number of patients to be enrolled increased to 322. The five-arm trial will evaluate two doses of ETC-1002 (120mg and 180mg) in comparison to Zetia (10mg), as well as include two smaller arms assessing the combination of ETC-1002 and Zetia. As expected, the trial will include a statin wash-out and four-week placebo run-in period, followed by a 12-week active-treatment period. We anticipate results from this trial in 2H14.

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2Q13 FINANCIAL SUMMARY

Esperion reported 2Q13 EPS loss of ($19.82), compared to our estimate of ($0.58) and consensus of ($0.17). The discrepancy is due to a difference in share count used to calculate EPS, as our and Street estimates were based on post-IPO shares outstanding. Net loss was ($6.9MM), compared to our estimate of ($3.5MM) and consensus of ($4.9MM), due to a larger-than-expected change in fair value of warrant liability. The company reported no revenues, as expected. Total operating expenses were $4.3MM, higher than our estimate of $3.5MM, driven by higher-than-expected R&D spend. R&D expenses were $3.1MM, compared to our estimate of $2.2MM. SG&A expenses were $1.2MM compared to our estimate of $1.3MM. Cash and equivalents at the end of 2Q13 were $16.6MM.

We have updated our model based on financial results for 2Q13 and updated company guidance, as summarized in Figure 1.

FIGURE 1. 2Q13 Earnings Summary and Changes to Our Model

ESPR	2Q13			2013 est			2014 est	
	JMP est	Cons	Actual	JMP old	Cons	JMP new	JMP old	JMP new
Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
R&D	2.2		3.1	15.4		17.3	51.3	39.9
SG&A	1.3		1.2	5.5		5.1	6.7	6.0
Total operating expense	3.5		4.3	20.9		22.4	58.0	45.9
Net income (loss)	**(3.5)**	**(4.9)**	**(6.9)**	**(21.8)**	**(21.5)**	**(26.0)**	**(58.0)**	**(45.9)**
Shares outstanding (diluted)	6.1		0.3	10.8		1.2	15.8	15.8
EPS (diluted)	**($0.58)**	**($0.17)**	**($19.82)**	**($2.02)**	**($1.68)**	**($21.61)**	**($3.68)**	**($2.91)**

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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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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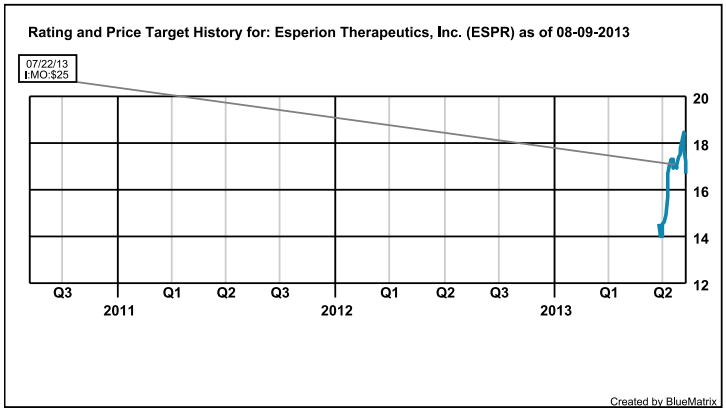
JMP Rating	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	# Co's Receiving IB Services in Past 12 Months	*% of Co's With This Rating*
MARKET OUTPERFORM	Buy	237	*61.24%*	Buy	237	*61.24%*	76	*32.07%*
MARKET PERFORM	Hold	144	*37.21%*	Hold	144	*37.21%*	20	*13.89%*
MARKET UNDERPERFORM	Sell	6	*1.55%*	Sell	6	*1.55%*	0	*0%*
TOTAL:		387	*100%*		387	*100%*	96	*24.81%*

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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