

Eagle Pharmaceuticals, Inc.

Meetings With Management Suggest Clarity on 10-Minute Infusion Launch Likely in Near Term; Buy on Recent Weakness

- After meetings with management, we continue to believe a launch of RTU bendamustine with a 10-minute infusion label claim and orphan exclusivity is possible. Recall that company management on its fiscal fourth-quarter conference call on December 17 noted a near-term meeting with the FDA to discuss the addition of the company's completed 10-minute infusion bioequivalence trial data onto its tentatively approved RTU bendamustine label. We believe the meeting continues to suggest this label change will likely occur during 2015, followed by a subsequent launch of the product.
- We believe the Street expected clarity on the launch timing of Eagle's bendamustine formulation at the JP Morgan Healthcare conference, and when the company's presentation was unclear on this topic, shares came under pressure. Following discussions with management, which provided limited incremental color given ongoing litigation, we left with the belief that management may be in a better position to update the Street on its progress in the near term. While we are unsure of the exact timing for an update on the filing strategy for the 10-minute infusions, we are approaching a major event for the product, the Markman hearing for all the consolidated cases on March 4. Eagle management views the case as similar to the recently dismissed '524 lawsuit. In our prior discussions, Eagle management had characterized patent '524 as relevant to the lyophilized version of bendamustine, with Eagle believing it did not infringe with its liquid formulation. At the risk of taking a simplistic view to what may be a more complicated court case, patent '270 does include significant language related to the lyophilized formulation, and we believe Eagle's management continues to suggest that its liquid formulation does not infringe. We have included abstract for patent '270 below.
- Patent '270 abstract: "The present invention provides pharmaceutical formulations of lyophilized bendamustine suitable for pharmaceutical use. The present invention further provides methods of producing lyophilized bendamustine. The pharmaceutical formulations can be used for any disease that is sensitive to treatment with bendamustine, such as neoplastic diseases."
- Our model currently assumes a launch in September 2015; however, we believe this is meaningfully ahead of Street consensus. While investor concerns continue to surround the potential fallout from an "at-risk" launch, we believe given the product's two patents and orphan status granted, the company is in a strong position to launch the product if the 10-minute infusion administration details are added onto the current label. Given the company's enterprise value of roughly \$125 million, we believe investors still heavily discount the possibility of a launch of the company's bendamustine 10-minute infusion product during 2015, which we view as increasingly likely and would clearly be a transformative event for the company.

Eagle Pharmaceuticals is a developer of best-in-class injectable therapeutics. The company is using the 505(b)(2) pathway to enter the market before first-to-file generics.

Tim Lugo
+1 415 248 2870
tlugo@williamblair.com

Raju Prasad, Ph.D.
+1 312 364 8469
rprasad@williamblair.com

January 16, 2015

Stock Rating: **Outperform**
Company Profile: **Aggressive Growth**
Price Target: \$24.00

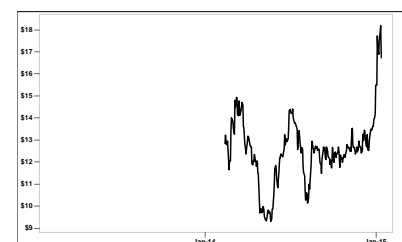
Symbol: EGRX (NASDAQ)
Price: \$15.35 (52-Wk.: \$9-\$19)
Market Value (mil.): \$215
Fiscal Year End: September
Long-Term EPS Growth Rate: NA
Dividend/Yield: None

	2013A	2014E	2015E
Estimates			
EPS FY	\$-0.51	\$-1.55	\$0.44
CY			
Sales (mil.)	NA	19,099	51,510
Valuation			
FY P/E	NM	NM	34.9x
CY P/E		NA	NA

Trading Data (FactSet)	
Shares Outstanding (mil.)	14
Float (mil.)	8
Average Daily Volume	47,373

Financial Data (FactSet)	
Long-Term Debt/Total Capital (MRQ)	0.0
Book Value Per Share (MRQ)	2.4
Return on Equity (TTM)	-97.6

Two-Year Price Performance Chart

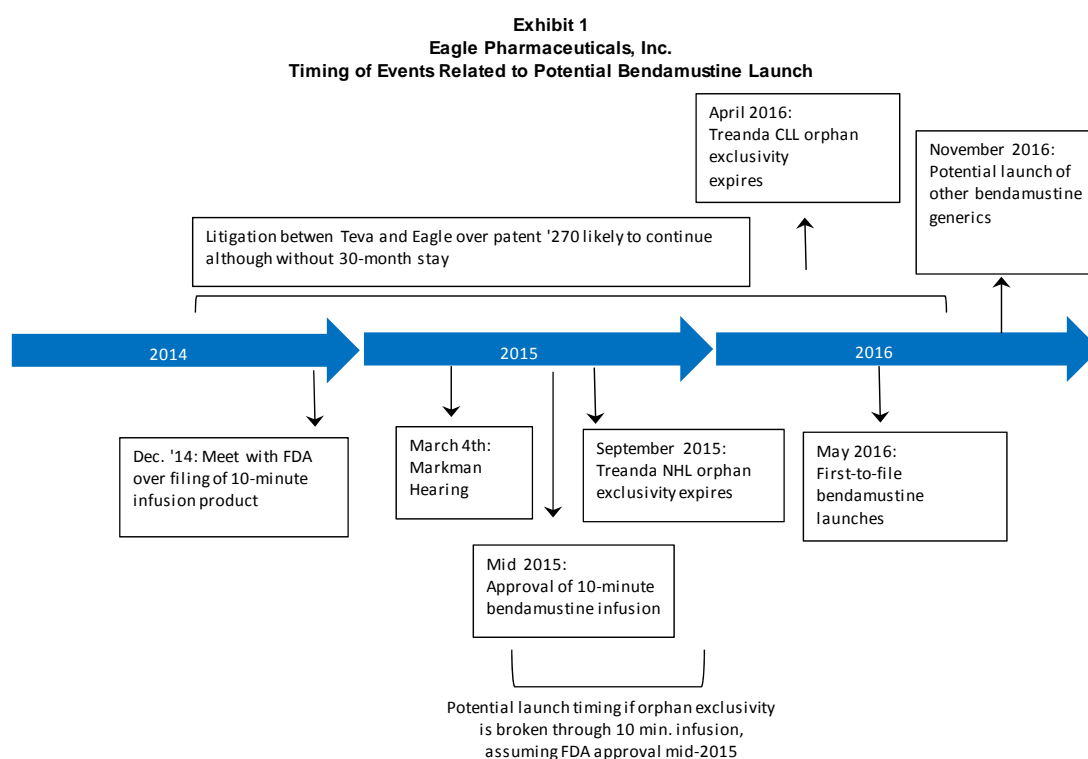


Sources: FactSet, William Blair & Company estimates

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During Teva's third quarter, it reported \$180 million (up 2% year-over year) in sales for Treanda, which suggests that sales are annualizing at \$720 million. We continue to view the value of this franchise to Teva as significant given the brand product's likely high margins versus the company's generic business. We continue to estimate that a product with seven years of orphan exclusivity is worth well north of \$1 billion to Teva, suggesting a wide range of value, which the two parties should be able to agree on if a settlement occurred.

- We remain Outperform rated on shares of Eagle as company management has executed on all of its stated goals since becoming a public company in 2014. While the company's share price has not reflected such major milestones as Teva dismissing its '524 case, the tentative approval of RTU-bendamustine, and positive data from the company's 10-minute infusion product, we believe the company is in a strong position heading into 2015 and offers significant upside from current levels with little clinical risk. With what we believe are modest assumptions for the peak penetration and timing of the bendamustine and Ryanodex launches, we derive a net present value (NPV) for the company's pipeline of \$24 per share.



Valuation

We believe shares of Eagle continue to hold a strong risk/reward profile, given the potential for significant profitability pending successful development of the company's four disclosed products. In our view, the company's pathway through a 505(b)(2) approval process holds a reduced development risk compared with many small-cap development-stage specialty pharmaceutical companies.

Our price target for shares of Eagle Pharmaceuticals is \$24, based on a net present value of the company's lead development programs, EP-3101 (ready-to-use bendamustine) for CLL and NHL, Ryanodex for malignant hypothermia, and EP-6101 (RTU-bivalirudin). In this calculation, we assume a launch of EP-3101 in late 2015; however, the timing of the later product will be heavily influenced by the outcome of ongoing litigation between Teva Pharmaceuticals and Eagle over the ability to market its product. We note a majority of our out-year revenue (over 80%) is attributed to the bendamustine franchise, and we believe the 10-minute infusion product will be important to this franchise's durability. Our full model with additional details from is available from a William Blair & Company, L.L.C. salesperson.

Risks

While most risks in development-stage therapeutic companies involve clinical risk, we believe the ongoing litigation with Teva Pharmaceuticals and likely other companies whose products Eagle is targeting with its pipeline is the major risk for Eagle. In addition to the litigation risk, investment in shares of Eagle also involves regulatory, commercialization, and financial risk, common in development-stage specialty pharmaceutical companies.

The company's pipeline is also focused on products near the end of their life cycles, and generic companies are traditionally strong competitors for market share, sometimes taking prices to unsustainable levels. We believe pricing and the resulting market share gains or losses will be a risk for Eagle as the company brings its therapies to the market.

William Blair

Eagle Pharmaceuticals

Earnings Model

12/17/14

(\$ in thousands except EPS data)

Rating: Outperform

Company Profile: Aggressive Growth

Tim Lugo

415.248.2870

tlugo@williamblair.com

	FY 2012(A)	FY 2013(A)	FY 2014(A)	Dec. 14 Q1(E)	Mar. 15 Q2(E)	June 15 Q3(E)	Sept.15 Q4(E)	FY 2015(E)	FY 2016(E)	FY 2017(E)
Product Revenue	1,155	5,315	4,626	1,739.9	2,363.4	3,003.4	39,403	46,510	195,213	270,040
EP-3101 (bendamustine RTD)	-	-	-	-	-	-	36,000	36,000	168,000	150,000
Ryanodex (dantrolene)	-	200	400.0	400.0	960.0	1,600.0	2,000.0	4,960	22,400	27,200
Diclofenac/Misoprostol	-	-	339.9	339.9	653.4	653.4	653.4	2,300	2,813	3,090
EP-6101 (bivalirudin)	-	-	-	-	-	-	-	-	-	87,750
EP-5101 (pemtrexed)	-	-	-	-	-	-	-	-	-	-
EP-1101 (argatroban)	-	-	2,127	1,000	750.0	750.0	750.0	3,250	2,000	2,000
EP-2101 (topotecan)	-	-	-	-	-	-	-	-	-	-
Royalty Revenue	1,384	8,364	10,708	2000	1000	1000	1000	5,000	4,000	3,000
Other Revenue	-	-	3,765	-	-	-	-	-	-	-
Total Revenue	2,539.4	13,679	19,099	3,740	3,363	4,003	40,403	51,510	199,213	273,040
y/y growth		NM	39.6%	-32.4%	-32.3%	-30.9%	1337.3%	169.7%	286.7%	37.1%
q/q growth				33.0%	-10.1%	-79.0%	909.2%			
incremental rev q/q										
Cost of Goods Sold	3166.6	7,381	11714	1,500	1,500	1,500	2,620	7,120	21,162	43,521
Gross Profit	-627.2	6,298	7385	2240	1863	2503	37783	44390	178051	229,519
Royalty Expense							2,100	2100	31,360	73,855
SG&A	6,399	4,958	9326	3,105	3,795	5,175	5,175	17,250	26,000	28,600
Growth			88%					85%	51%	10%
R&D	12,804.7	9,796	16,816	4,500	4,500	5,400	5,400	18,000	20,000	22,000
		0%	72%	74%	19%	19%	-8%	7%	11%	10%
Total Operating Expenses	22,370.14	22,134.03	26,142	7,605	8,295	10,575	12,675	39,150	77,360	124,455
growth			18%	93%	58%	46%	30%	50%	98%	61%
Operating Income	(19,830.7)	(8,455.1)	(18,757.4)	(5,365)	(6,432)	(8,072)	25,108	3,140.1	100,691.0	105,064.2
EBIT Margin			NA					6%	51%	38%
growth y/y (%)			122%	77%	77%	171%	-376%	-117%	3107%	4%
Depreciation and Amortization	477.7	1,322.3	1,000	250	250	250	250	1,000	1,000	1,000
EBITDA		(7,133)	(17,757)	(5,115)	(6,182)	(7,822)	25,358	6,240	101,691	106,064
			NA					12%	51%	39%
Other income	(333.2)	1,507.9	(515)	500	500.0	500.0	500.0	2,000	6,000	8,000
Income Before Taxes	(20,163.9)	(6,947.2)	(19,272)	(4,865.1)	(5,931.6)	(7,571.6)	25,608.4	7,240	106,691	113,064
Income Tax Provision	781.26	898.70	1,295	250.00	250.00	250.00	250.00	1,000	1,000	39,572.47
Effective Tax Rate			NA	-5.1%	-4.2%	-3.3%	1.0%	NA	NA	35%
Net Income (GAAP)	\$ (19,382.6)	\$ (6,048.5)	\$ (17,979)	(5,115.1)	(6,181.6)	(7,821.5)	25,358.4	\$ 6,240.2	\$ 105,691.1	\$ 73,491.8
Convertible preferred stock	\$ (3,933.4)	\$ (3,836.8)	(1,666)	-	-	-	-	-	-	-
Net loss attributable to common stockholders	\$ (23,316.1)	\$ (9,885.3)	\$ (19,645)	\$ (5,115.1)	\$ (6,181.6)	\$ (7,821.5)	\$ 25,358.4	\$ 6,240.2	\$ 105,691.1	\$ 73,491.8
Basic and diluted net loss per common share	\$ (2.20)	\$ (0.51)	\$ (1.55)	(0.36)	(0.43)	(0.55)	1.76	\$ 0.44	\$ 7.20	\$ 4.88
Basic and diluted weighted avg. shares of common out	10,595	19,514	12,705	14,121	14,221	14,321	14,421	14,271	14,671	15,071

Key Ratios (GAAP unless noted)

Gross Margin	NM	NM	27%	NM	NM	50.1%	93.4%	84.7%	89.2%	83.9%
R&D (% Total Rev.)	NM	NM	NM	120.3%	133.8%	134.9%	13.4%	34.9%	10.0%	8.1%
SG&A (% Total Rev.)	NM	NM	NM	83.0%	112.8%	129.3%	12.8%	33.5%	13.1%	10.5%
Operating Margin	NM	NM	NM	NM	NM	NM	62.1%	NM	50.5%	38.5%
Net Income Margin	NM	NM	NM	NM	NM	NM	62.8%	12.1%	53.1%	26.9%
Revenue Growth										
Growth Yr/Yr	NM	439%	40%	-25%	-42%	42%	1337%	170%	287%	37%
Growth Q/Q	NM			33%	-10%	19%	909%			
SG&A Growth										
Growth Yr/Yr	NM	-23%	88%	131%	161%	94%	34%	85%	51%	10%
Growth Q/Q	NM			-19%	22%	36%	0%			
R&D Growth										
Growth Yr/Yr	NM	-24%	72%	74%	19%	19%	-8%	7%	11%	10%
Growth Q/Q	NM			-24%	0%	20%	0%			

William Blair & Company, L.L.C.

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William Blair is a market maker in the security of Eagle Pharmaceuticals, Inc..

William Blair intends to seek investment banking compensation in the next three months from Eagle Pharmaceuticals, Inc.

Within the past 12 months William Blair has provided or is providing investment banking services to or has an investment services relationship with Eagle Pharmaceuticals, Inc.

Additional information is available upon request.

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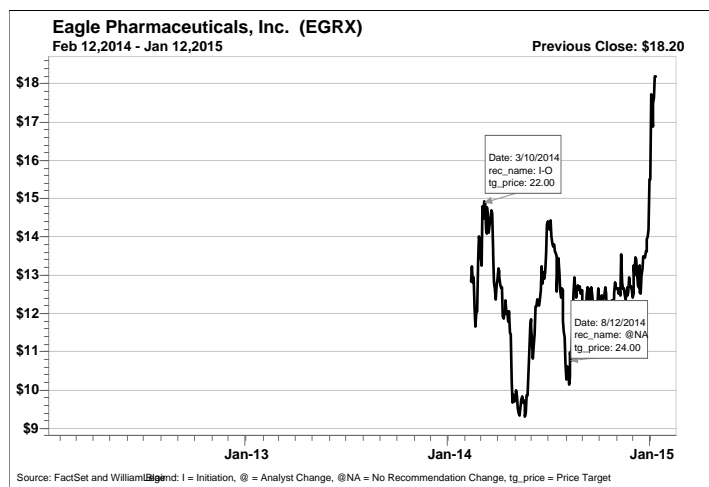
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DOW JONES: 17,320.71

S&P 500: 1,992.67

NASDAQ: 4,570.82



Current Rating Distribution (as of 12/31/14)

Coverage Universe	Percent	Inv. Banking Relationships*	Percent
Outperform (Buy)	64	Outperform (Buy)	15
Market Perform (Hold)	31	Market Perform (Hold)	2
Underperform (Sell)	2	Underperform (Sell)	0

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