

Eagle Pharmaceuticals, Inc.

Fiscal Fourth-Quarter Earnings Set Stage for Potential Bendamustine Launch and Broadening of Pipeline in 2015

- Before the markets opened on Wednesday, December 17, Eagle Pharmaceuticals reported its fourth-quarter and full-year earnings. The company's fourth quarter was highlighted by the positive pivotal results, announced on November 10, from a bioequivalence (BE) study for the company's 10-minute infusion bendamustine product. The bioequivalent study showed that Eagle's 50 mL formulation, which is administered over 10 minutes, was bioequivalent to Teva's (TEVA \$55.75) branded Treanda product, which is infused over an hour with 500 mL of liquid. The rapid infusion product was granted orphan drug designation for the treatment of chronic lymphocytic leukemia (CLL) and indolent B-cell non-Hodgkin lymphoma (NHL), and a liquid ready-to-use (RTU) formulation of the same product was approved earlier in the year.
- Following the positive BE study, Eagle management will soon meet with the FDA to discuss the filing strategy for the 10-minute infusion product, which may include an update to the product's dosing and administration label through a label change or a modification to the current NDA. Our model assumes a launch in September 2015; however, this may hold upside, depending on the outcome of the company's meeting with the FDA and the filing strategy. The product has already been granted orphan drug status, and we believe the 10-minute bendamustine infusion product has the potential to be best-in-class, with the volume infused into the patient being decreased by 90% over the currently used 500 mL bag. This reduction in volume is likely a significant safety differentiation for the product, given the high rate of patients with compromised kidney function in the hematologic markets. 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, the company is in a strong position to launch the product if the 10-minute infusion administration details are added to the current label, despite the ongoing dispute with Teva/Cephalon over the late-listed '270 patent.
- In addition to the positive results from the rapid infusion product, the company also recognized roughly \$200,000 in revenue from its launch of Ryanodex, which occurred in late August. The company expects to conduct a pivotal trial in exertional heat stroke for Ryanodex by the end of fiscal 2015. We model Ryanodex as holding peak sales in the United States of \$20 million; however, the expansion of Ryanodex into the treatment of exertional heat stroke or a meaningful launch in Europe would expand the peak sales potential of the product. In addition to the pivotal study for Ryanodex and potential launch of the bendamustine infusion product, we forecast the filing of the RTU-bivalirudin product (brand name Angiomax) and RTU-pemetrexed (brand name Alimta) in 2015. We have outlined the upcoming clinical, regulatory, and potentially commercial events for calendar 2015 in exhibit 1.

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.

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December 17, 2014

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

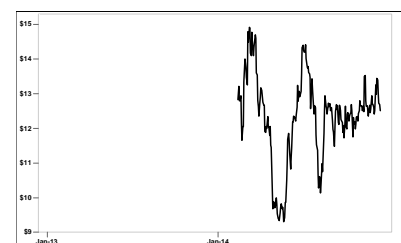
Symbol: EGRX (NASDAQ)
Price: \$12.98 (52-Wk.: \$9-\$16)
Market Value (mil.): \$176
Fiscal Year End: September
Long-Term EPS Growth Rate: NA
Dividend/Yield: None

	2013A	2014E	2015E
Estimates			
EPS Q1	NA	A\$-0.20	NA
Q2	NA	A\$-0.36	NA
Q3	NA	A\$-0.21	NA
Q4	NA	\$-0.65	NA
FY	\$-0.51	\$-1.55	\$0.44
CY			
Sales (mil.)	NA	19,099	51,510
Valuation			
FY P/E	NM	NM	29.5x
CY P/E		NA	NA

Trading Data (FactSet)	
Shares Outstanding (mil.)	14
Float (mil.)	3
Average Daily Volume	31,830

Financial Data (FactSet)	
Long-Term Debt/Total Capital (MRQ)	0.0
Book Value Per Share (MRQ)	3.0
Return on Equity (TTM)	0.0

Two-Year Price Performance Chart



Sources: FactSet, William Blair & Company estimates

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- Regarding fourth-quarter financials, the company reported \$2.8 million in revenue, which was below our estimate of \$3.9 million and in line with consensus of \$2.7 million, as the company saw longer lead times in procuring materials for manufacturing its Argatroban product. Research and development costs were reported at \$5.9 million, which were above our estimate of \$5.0 million. SG&A expenses were reported at \$3.9 million, above our estimate of \$3.2 million. For the fourth quarter, the company reported a loss of \$0.65 per basic and diluted share, below our estimate of a loss of \$0.41 and consensus of a loss of \$0.49. We show reported results, our estimates, and consensus numbers, where applicable, in exhibit 2.
- Given the company's enterprise value of about \$125 million, we believe investors still heavily discount the possibility of either the RTU-bendamustine or the 10-minute infusion being launched in 2015, which we view as increasingly likely and a transformative event for the company. 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 7 years of orphan exclusivity is worth over \$1 billion to Teva, which suggests a wide range of value on which the two parties should be able to agree, if a settlement occurred. We have included an estimate of the timeline related to a potential bendamustine infusion product in exhibit 3.
- Our rating remains Outperform on shares of Eagle since 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. However, a majority of our out-year revenue (over 80%) is attributed to the bendamustine franchise, and we believe approval of the 10-minute infusion product will be important to this franchise's durability.

Exhibit 1
Eagle Pharmaceuticals, Inc.
Timeline and Events

Date	Product	Event	Description/Comments
2015			
2015	RTU Bendamustine	Regulatory	Potential launch of RTU bendamustine following outcome of Teva litigation
2015	Ryanodex (1 vial dantrolene)	Clinical	Potential top-line data from exertional heat stroke clinical trial
2015	RTU Bivalirudin	Regulatory	Filing of NDA for bivalirudin (brand name Angiomax)
2015	RTU Pemetrexed	Regulatory	Filing of NDA for pemetrexed (brand name Alimta)

Sources: Company reports and William Blair & Company, L.L.C. estimates

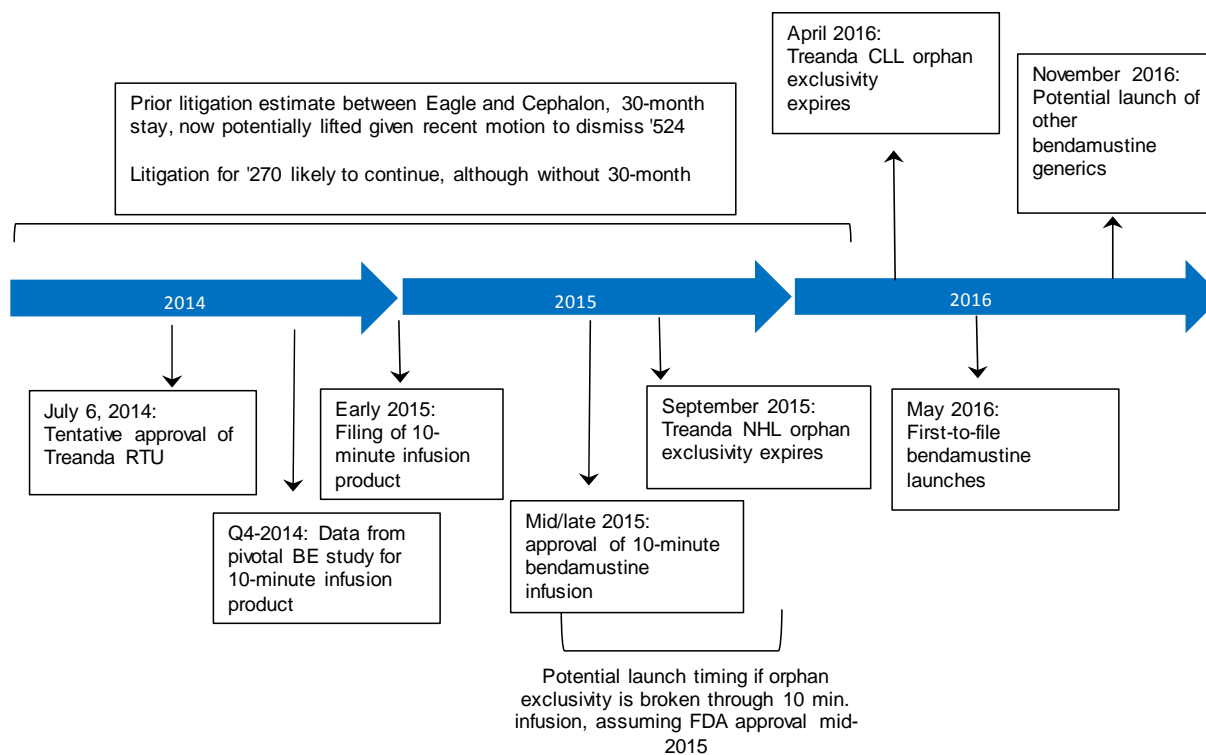
Exhibit 2
Eagle Pharmaceuticals
Fourth Quarter 2014 Results

	EGRX Q3 14A	EGRX Q4 13A	EGRX Q4 14A	WB Q4 14E	Consensus Q4 14E	Q/Q Growth	Y/Y Growth
(\$ in millions except EPS)							
Product Sales	\$ 0.4	\$ 1.6	\$ 0.9	\$ 1.5	NA	150%	-46%
Royalty Income	\$ 1.9	\$ 3.0	\$ 1.9	\$ 2.0	NA	0%	-36%
Other Income	\$ 3.5	\$ -	\$ -	\$ 0.4	NA	NM	NA
Total Revenue	\$ 5.8	\$ 4.6	\$ 2.8	\$ 3.9	\$ 2.7	-52%	-40%
Cost of Goods/Revenue	\$ 1.6	\$ 2.9	\$ 2.2	\$ 2.1	NA	41%	-24%
R&D	\$ 4.5	\$ 3.4	\$ 5.9	\$ 5.0	NA	30%	74%
SG&A	\$ 2.7	\$ 0.8	\$ 3.9	\$ 3.2	NA	46%	388%
Operating Income	\$ (3.0)	\$ 0.5	\$ (9.1)	\$ (6.4)	NA	-205%	NM
(Loss) income before taxes	\$ (2.9)	\$ 0.5	\$ (9.1)	\$ (5.6)	NA	-210%	NM
Net Income	\$ (2.9)	\$ (0.6)	\$ (9.1)	\$ (5.9)	NA	-210%	NM
EPS	\$ (0.21)	\$ (0.21)	\$ (0.65)	\$ (0.41)	\$ (0.49)	-210%	-210%

Consensus estimates reported by FactSet

Source: Company reports, William Blair & Company L.L.C. estimates

Exhibit 3
Eagle Pharmaceuticals, Inc.
Timing of Events Related to Potential Bendamustine Launch



Sources: William Blair & Company, L.L.C. estimates and company reports

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 (RTU-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 latter product will be heavily influenced by the outcome of ongoing litigation between Teva Pharmaceuticals and Eagle over the ability to market its product. 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 Pharmaceuticals. 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.

Our model is included on the following page.


Eagle Pharmaceuticals
Earnings Model

12/17/14

(\$ in thousands except EPS data)

Rating: Outperform

Company Profile: Aggressive Growth

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	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	960.0	1,600.0	2,000.0	4,960	22,400	27,200
Diclofenac/Misoprostol	-	-	-	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
yr/yr 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)	NA	(5,115)	(6,182)	(7,822)	25,358	6,240	101,691	106,064
								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%			

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William Blair was a manager or co-manager of a public offering of equity securities for Eagle Pharmaceuticals, Inc. within the prior 12 months.

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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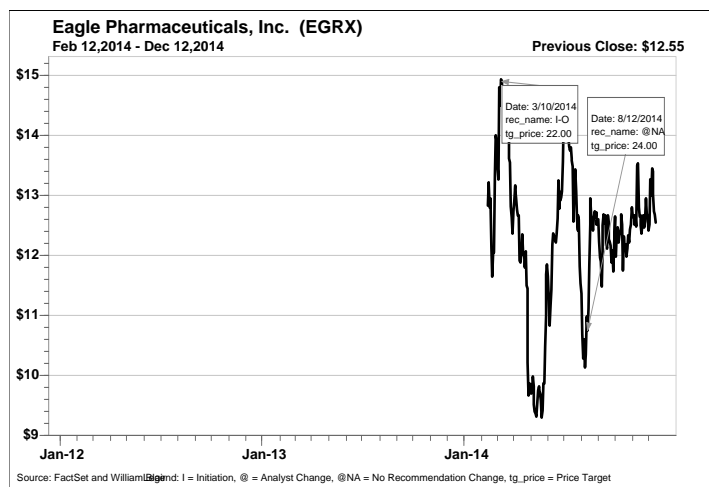
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DOW JONES: 17,068.87

S&P 500: 1,972.74

NASDAQ: 4,547.84



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Coverage Universe	Percent	Inv. Banking Relationships*	Percent
Outperform (Buy)	64	Outperform (Buy)	16
Market Perform (Hold)	31	Market Perform (Hold)	3
Underperform (Sell)	1	Underperform (Sell)	0

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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