Eagle Pharmaceuticals Inc. (EGRX) — Overweight

Orphan Status For Enhanced Form of Bendamustine; Nearer-Term Launch Possible

CONCLUSION

This morning, Eagle announced that its lower-volume liquid formulation of bendamustine (known as EP-3102) that requires a shorter infusion time compared to Teva's product (i.e., Treanda) was granted Orphan Drug designation by the FDA for chronic lymphocytic leukemia (CLL) and indolent B-cell non-Hodgkin's lymphoma (NHL). Recall that the drug's infusion time is only 10 minutes, compared to 30-60 minutes for Treanda. The orphan status for EGRX's product now enables a potential launch ahead of the expiry of Teva's orphan status on Treanda in September 2015 (provided of course that the patent litigation outcome is favorable to EGRX). We continue to view EGRX shares as attractive, with two products (enhanced forms of bendamustine and dantrolene) potentially driving profitability by 2016 all in the context of a market cap of around $200M. We reiterate our Overweight rating and $22 price target.

- **EGRX gets around Teva's orphan status on Treanda.** EP-3102 is EGRX's second bendamustine product in development. The first of Eagle's products (known as EP-3101; recall that this product received a tentative approval (TA) last week) is an enhanced liquid formulation of bendamustine that is ready-to-dilute (RTD), though like the innovator product is infused over 30-60 minutes. In contrast, EP-3102 has a 10 minute infusion time, pointing to increased chair turnover and cost savings to hospitals and infusion centers as a result. It is our understanding that EP-3102 gained its orphan status based on its "clinical superiority" over Treanda related to its shorter infusion time (i.e., at a minimum, the shorter infusion time translates into a better patient experience). We note that Treanda has orphan exclusivity for NHL through October 2015, and also gained another six months of pediatric exclusivity that extends orphan protection through April 2016. For CLL, Treanda has orphan exclusivity until September 2015, including six months of pediatric exclusivity.

- **What this could mean in terms of an expedited launch timeline for EGRX.** It had been thought that the FDA may be precluded from issuing final approval of EGRX's filings for its bendamustine products for CLL and NHL until the orphan exclusivities granted to Treanda expire. However, with its orphan designation for EP-3102 now in place, we believe the expiries of Treanda's orphan exclusivities are no longer road blocks to a commercial launch for this particular product (provided EGRX is able to prevail in its patent litigation versus Teva). In a conversation with management this morning, EGRX noted it that it could be in a position to file for approval of EP-3102 before the end of 2014. We note that Teva's liquid formulation of Treanda was granted priority review by the FDA and approved in September 2013. As such, we would not be surprised if EGRX's filing were also granted a six-month priority review, pointing to a potential approval and launch by mid-2015. To be fair, it is not clear if we will have a lower court ruling by then, though a decision on EGRX's motion for summary judgement is expected later this year, and a granting of that motion would most certainly pave the way for a possible launch by the middle of next year. We would keep in mind that a mid-2015 launch for EGRX would give them ample lead time over other competitors given that 30-month stay expiries for conventional abbreviated NDA (aNDA) filers on the lyophilized form of Treanda expire as early as 2Q16.

COMPANY DESCRIPTION

Eagle is focused on optimized generic injectibles.

PRICE: US$14.42
TARGET: US$22.00
17x 2018E non-GAAP EPS of $2.20, disc. 20%

David Amsellem
Sr. Research Analyst, Piper Jaffray & Co.
212 284-9455, david.a.amsellem@pjc.com

Traver A. Davis
Research Analyst, Piper Jaffray & Co.
212 284-5031, traver.a.davis@pjc.com

Related Companies:	Share Price:
EGRX	14.42
TEVA	54.20

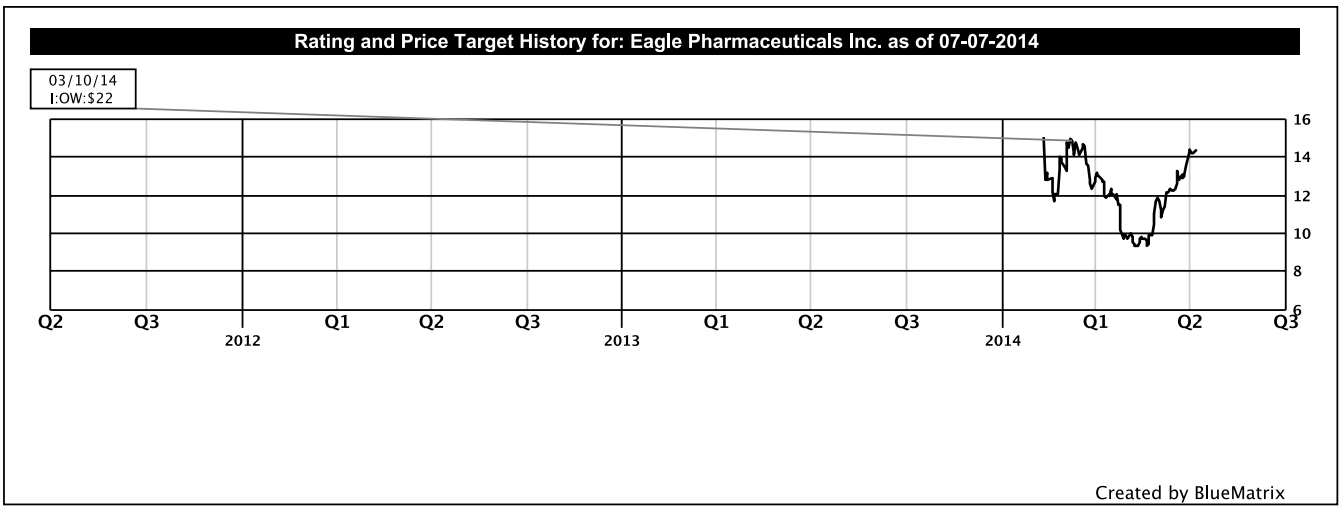
RISKS TO ACHIEVEMENT OF PRICE TARGET

Pipeline setbacks and risks related to patent litigation.

Price Performance - 1 Year

Source: Bloomberg

IMPORTANT RESEARCH DISCLOSURES



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:
I: Initiating Coverage
R: Resuming Coverage
T: Transferring Coverage
D: Discontinuing Coverage
S: Suspending Coverage
OW: Overweight
N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

Distribution of Ratings/IB Services
Piper Jaffray

			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OW]	357	62.52	91	25.49
HOLD [N]	200	35.03	23	11.50
SELL [UW]	14	2.45	0	0.00

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

Analyst Certification — David Amsellem, Sr. Research Analyst
— Traver A. Davis, Research Analyst

The views expressed in this report accurately reflect my personal views about the subject company and the subject security. In addition, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Research Disclosures

Piper Jaffray was making a market in the securities of Eagle Pharmaceuticals Inc. at the time this research report was published. Piper Jaffray will buy and sell Eagle Pharmaceuticals Inc. securities on a principal basis.

Piper Jaffray has received compensation for investment banking services from or has had a client relationship with Eagle Pharmaceuticals Inc. within the past 12 months.

Within the past 12 months Piper Jaffray was a managing underwriter of a public offering of, or dealer manager of a tender offer for, the securities of Eagle Pharmaceuticals Inc. or the securities of an affiliate.

Within the past 3 years Piper Jaffray participated in a public offering of, or acted as a dealer manager for, Eagle Pharmaceuticals Inc. securities.

Piper Jaffray research analysts receive compensation that is based, in part, on overall firm revenues, which include investment banking revenues.

Rating Definitions

Stock Ratings: Piper Jaffray ratings are indicators of expected total return (price appreciation plus dividend) within the next 12 months. At times analysts may specify a different investment horizon or may include additional investment time horizons for specific stocks. Stock performance is measured relative to the group of stocks covered by each analyst. Lists of the stocks covered by each are available at www.piperjaffray.com/researchdisclosures. Stock ratings and/or stock coverage may be suspended from time to time in the event that there is no active analyst opinion or analyst coverage, but the opinion or coverage is expected to resume. Research reports and ratings should not be relied upon as individual investment advice. As always, an investor's decision to buy or sell a security must depend on individual circumstances, including existing holdings, time horizons and risk tolerance. Piper Jaffray sales and trading personnel may provide written or oral commentary, trade ideas, or other information about a particular stock to clients or internal trading desks reflecting different opinions than those expressed by the research analyst. In addition, Piper Jaffray technical research products are based on different methodologies and may contradict the opinions contained in fundamental research reports.

- **Overweight (OW):** Anticipated to outperform relative to the median of the group of stocks covered by the analyst.
- **Neutral (N):** Anticipated to perform in line relative to the median of the group of stocks covered by the analyst.
- **Underweight (UW):** Anticipated to underperform relative to the median of the group of stocks covered by the analyst.

Other Important Information

The material regarding the subject company is based on data obtained from sources we deem to be reliable; it is not guaranteed as to accuracy and does not purport to be complete. This report is solely for informational purposes and is not intended to be used as the primary basis of investment decisions. Piper Jaffray has not assessed the suitability of the subject company for any person. Because of individual client requirements, it is not, and it should not be construed as, advice designed to meet the particular investment needs of any investor. This report is not an offer or the solicitation of an offer to sell or buy any security. Unless otherwise noted, the price of a security mentioned in this report is the market closing price as of the end of the prior business day. Piper Jaffray does not maintain a predetermined schedule for publication of research and will not necessarily update this report. Piper Jaffray policy generally prohibits research analysts from sending draft research reports to subject companies; however, it should be presumed that the analyst(s) who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication, and has had assistance from the company in conducting diligence, including visits to company sites and meetings with company management and other representatives.

Notice to customers: This material is not directed to, or intended for distribution to or use by, any person or entity if Piper Jaffray is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to such person or entity. Customers in any of the jurisdictions where Piper Jaffray and its affiliates do business who wish to effect a transaction in the securities discussed in this report should contact their local Piper Jaffray representative. **Europe:** This material is for the use of intended recipients only and only for distribution to professional and institutional investors, i.e. persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom, or persons who have been categorised by Piper Jaffray Ltd. as professional clients under the rules of the Financial Conduct Authority. **United States:** This report is distributed in the United States by Piper Jaffray & Co., member SIPC, FINRA and NYSE, Inc., which accepts responsibility for its contents. The securities described in this report may not have been registered under the U.S. Securities Act of 1933 and, in such case, may not be offered or sold in the United States or to U.S. persons unless they have been so registered, or an exemption from the registration requirements is available.

This report is produced for the use of Piper Jaffray customers and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose without the prior consent of Piper Jaffray & Co. Additional information is available upon request.