

# Eagle Pharmaceuticals Inc. (EGRX)

Overweight

Fiscal 3Q Update: Ryanodex Launch on Deck; More Milestones Coming

## CONCLUSION

Eagle reported a fiscal 3Q14 non-GAAP net loss per share of (\$0.21) on revenues of \$5.8M. Revenues included a \$3.5M milestone related to the approval of EGRX's abbreviated NDA (aNDA) for diclofenac/misoprostol. With two product launches expected in the coming months, the most notable being for EGRX's enhanced form of dantrolene, known as Ryanodex, for malignant hypothermia (MH), visibility on significant top-line growth is strong. Given these dynamics, and especially the potential of even bigger value drivers (i.e., EGRX's liquid form of bendamustine and the expansion of Ryanodex in exertional heat stroke (EHS)), EGRX in our view is valued attractively in the context of a market cap of around \$150M. We reiterate our Overweight rating and are raising our PT to \$23 from \$22 (more details below).

- **Generic Arthrotec milestone a key top-line highlight.** This milestone payment was related to the FDA approval of EGRX's generic of Pfizer's Arthrotec, which is an oral combination of diclofenac, a non-steroidal anti-inflammatory drug, and misoprostol, a prostaglandin analog (the product is an analgesic with built-in protection against gastric ulcers). This is an approximately \$90M market with only two existing generic players (the brand and an authorized generic account for around two-thirds of volumes, with Actavis' generic accounting for the remainder), so the product could evolve into a meaningful top-line contributor for EGRX.
- **Ryanodex shipping to begin in the coming weeks.** U.S. hospitals are required to stock dantrolene for MH with a recommended inventory of 36 vials (this is the equivalent of 3-4 vials of Ryanodex). Assuming that hospitals will stock the equivalent quantity of Ryanodex at a list price of \$2,300 per vial (bearing in mind that it has a two-year shelf life), the new product will cost hospitals approximately \$3,000-\$5,000 annually. Although this is 2-3 times the cost of the predecessor form of dantrolene, we would not expect much resistance from hospitals given the improvement over the predecessor form (i.e., more rapid administration).
- **Additional milestones on the horizon.** EGRX's patent litigation with Teva related to bendamustine (\$700M+ brand Treanda) is ongoing, with a decision on EGRX's motion for summary judgment possible by the end of 2014. We could also see Teva launch its own liquid form and begin conversion of the market away from the lyophilized product, though this in our view would likely freeze out traditional aNDA filers, to EGRX's benefit. Regarding Ryanodex for EHS, EGRX expects to begin dosing patients in a pilot study in Saudi Arabia by the end of 2014 with data expected sometime next year. The company will then meet with the FDA to finalize the protocol for a pivotal study (which EGRX would hope to initiate by the end of 2015).

## RISKS TO ACHIEVEMENT OF PRICE TARGET

Pipeline setbacks and risks related to patent litigation.

## COMPANY DESCRIPTION

Eagle is focused on optimized generic injectibles.

| YEAR  | REVENUE (US\$ m) |      |      |      |        |    |       |       | EARNINGS PER SHARE (US\$) |         |         |         |         |    |        |        |
|-------|------------------|------|------|------|--------|----|-------|-------|---------------------------|---------|---------|---------|---------|----|--------|--------|
|       | Dec              | Mar  | Jun  | Sep  | FY     | CY | FY RM | CY RM | Dec                       | Mar     | Jun     | Sep     | FY      | CY | FY P/E | CY P/E |
| 2014E | 5.5A             | 5.0A | 5.8A | 2.4E | 18.7E  | —  | 7.7x  | NA    | (0.31)A                   | (0.30)A | (0.21)A | (0.49)E | (1.33)E | —  | NM     | NA     |
| 2015E | 3.0E             | 3.7E | 4.0E | 4.2E | 14.9E  | —  | 9.7x  | NA    | (0.51)E                   | (0.49)E | (0.48)E | (0.44)E | (1.91)E | —  | NM     | NA     |
| 2016E | —                | —    | —    | —    | 145.9E | —  | 1.0x  | NA    | —                         | —       | —       | —       | 2.35E   | —  | 4.4x   | NA     |

PRICE: US\$10.35

TARGET: US\$23.00

17x 2018E non-GAAP EPS of \$2.16, disc.  
20%

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| Changes               | Previous             | Current    |
|-----------------------|----------------------|------------|
| Rating                | —                    | Overweight |
| Price Tgt             | US\$22.00            | US\$23.00  |
| FY15E Rev (mil)       | US\$14.8             | US\$14.9   |
| FY16E Rev (mil)       | US\$143.9            | US\$145.9  |
| FY15E EPS             | US\$(1.79)           | US\$(1.91) |
| FY16E EPS             | US\$2.48             | US\$2.35   |
| 52-Week High / Low    | US\$16.44 / US\$9.16 |            |
| Shares Out (mil)      | 14.0                 |            |
| Market Cap. (mil)     | US\$144.9            |            |
| Avg Daily Vol (ooo)   | 81                   |            |
| Book Value/Share      | US\$2.99             |            |
| Net Cash Per Share    | US\$3.42             |            |
| Debt to Total Capital | 0%                   |            |
| Yield                 | 0.00%                |            |
| Fiscal Year End       | Sep                  |            |

## Price Performance - 1 Year



Source: Bloomberg

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Exhibit 1

**FISCAL 3Q14: ACTUAL VS. PJC ESTIMATES**

| <i>\$ in millions, except per share</i> | <b>Actual</b>   | <b>PJC Estimates</b> |
|---|-----------------|----------------------|
| <i>Revenue</i>                          |                 |                      |
| Bendamustine 505(b)(2) generic          | \$0.0           | \$0.0                |
| Ryanodex - MH & EHS                     | \$0.0           | \$0.0                |
| Argatroban revenues                     | \$2.3           | \$3.8                |
| Other revenues                          | \$3.5           | \$0.0                |
| <b>Total Revenues</b>                   | <b>\$5.8</b>    | <b>\$3.8</b>         |
| <i>Consensus <sup>(1)</sup></i>         |                 | \$3.4                |
| <i>Expenses</i>                         |                 |                      |
| COGS                                    | \$1.6           | \$2.5                |
| R&D                                     | \$4.5           | \$3.9                |
| SG&A                                    | \$2.7           | \$1.9                |
| Operating Income                        | (\$3.0)         | (\$4.6)              |
| non-GAAP Net Income                     | (\$2.9)         | (\$4.7)              |
| <b>non-GAAP EPS, diluted</b>            | <b>(\$0.21)</b> | <b>(\$0.34)</b>      |
| <i>Consensus <sup>(1)</sup></i>         |                 | (\$0.34)             |

(1) Consensus estimates prior to FY 3Q14 earnings call

Source: Company reports, ThomsonOne, and PJC estimates

Exhibit 2

**EGRX CALENDAR OF UPCOMING EVENTS**

| <b>Product/<br/>Program</b> | <b>Event</b>   | <b>Expected<br/>Date</b> |
|-----------------------------|--|--------------------------|
| Bendamustine                | Potential summary judgement in litigation versus Teva            | 2H14                     |
| Dantrolene                  | Potential initiation of pilot study for heat stroke              | Late 2014                |
| Bendamustine                | Submit sNDA for RTD, shorter infusion time formulation (EP-3102) | 1H15                     |
| Bivalirudin                 | Possible NDA submission  | mid-2015                 |
| Dantrolene                  | Potential initiation of pivotal trial for heat stroke            | 2015                     |

Note: Expected dates relate to calendar dates

Source: Company reports and PJC estimates

Exhibit 3

**SUMMARY OF CURRENT AND PRIOR EGRX ESTIMATES**

| \$ in millions, except per share     | FY 2014E        |                 | FY 2015E        |                 | FY 2016E      |               | FY 2017E      |               | FY 2018E      |               | FY 2019E      |               |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                      | Current         | Prior           | Current         | Prior           | Current       | Prior         | Current       | Prior         | Current       | Prior         | Current       | Prior         |
| <b>Revenues</b>                      |                 |                 |                 |                 |               |               |               |               |               |               |               |               |
| Bendamustine 505(b)(2) generic sales | \$0             | \$0             | \$0             | \$0             | \$131         | \$131         | \$83          | \$83          | \$64          | \$64          | \$56          | \$56          |
| Ryanodex (dantrolene) - MH           | \$0             | \$0             | \$6             | \$6             | \$10          | \$10          | \$17          | \$17          | \$22          | \$22          | \$25          | \$25          |
| Ryanodex (dantrolene) - EHS          | \$0             | \$0             | \$0             | \$0             | \$0           | \$0           | \$48          | \$48          | \$81          | \$81          | \$100         | \$100         |
| Argatroban revenues                  | \$15            | \$17            | \$7             | \$9             | \$3           | \$3           | \$2           | \$2           | \$2           | \$2           | \$2           | \$2           |
| Other revenues                       | \$4             | \$0             | \$2             | \$0             | \$2           | \$0           | \$2           | \$0           | \$2           | \$0           | \$2           | \$0           |
| <b>Total Revenues</b>                | <b>\$19</b>     | <b>\$17</b>     | <b>\$15</b>     | <b>\$15</b>     | <b>\$146</b>  | <b>\$144</b>  | <b>\$153</b>  | <b>\$151</b>  | <b>\$171</b>  | <b>\$170</b>  | <b>\$185</b>  | <b>\$183</b>  |
| Consensus <sup>(1)</sup>             | \$16            |                 | \$24            |                 | \$139         |               | \$221         |               | \$193         |               |               |               |
| <b>Expenses</b>                      |                 |                 |                 |                 |               |               |               |               |               |               |               |               |
| COGS                                 | \$11            | \$13            | \$7             | \$7             | \$51          | \$50          | \$48          | \$47          | \$54          | \$53          | \$56          | \$55          |
| Research & development               | \$15            | \$14            | \$17            | \$17            | \$17          | \$17          | \$17          | \$17          | \$18          | \$18          | \$18          | \$18          |
| Selling, general and administrative  | \$9             | \$7             | \$19            | \$17            | \$24          | \$20          | \$29          | \$25          | \$34          | \$32          | \$39          | \$38          |
| Other income (expense), net          | (\$1)           | (\$1)           | (\$1)           | (\$1)           | (\$0)         | (\$0)         | \$0           | \$0           | \$0           | \$0           | \$0           | \$0           |
| Operating Income                     | (\$17)          | (\$17)          | (\$28)          | (\$26)          | \$54          | \$57          | \$59          | \$62          | \$66          | \$68          | \$73          | \$73          |
| non-GAAP Net Income                  | (\$16)          | (\$16)          | (\$29)          | (\$27)          | \$54          | \$57          | \$56          | \$59          | \$53          | \$54          | \$52          | \$52          |
| Shares outstanding (diluted)         | 12              | 12              | 15              | 15              | 23            | 23            | 24            | 24            | 25            | 25            | 25            | 25            |
| <b>non-GAAP EPS, diluted</b>         | <b>(\$1.33)</b> | <b>(\$1.36)</b> | <b>(\$1.91)</b> | <b>(\$1.79)</b> | <b>\$2.35</b> | <b>\$2.48</b> | <b>\$2.36</b> | <b>\$2.48</b> | <b>\$2.16</b> | <b>\$2.20</b> | <b>\$2.03</b> | <b>\$2.03</b> |
| Consensus <sup>(1)</sup>             | (\$1.34)        |                 | (\$1.05)        |                 | \$3.37        |               | \$4.16        |               | \$2.44        |               |               |               |

(1) Consensus is prior to the FY 3Q14 call

Source: Company reports, ThomsonOne, and PJC estimates

**Change in Price Target**

We are raising our PT to \$23 from \$22, based on a P/E of 17x (unchanged P/E) our 2018 diluted non-GAAP EPS estimate of \$2.16 (down from \$2.20). This is discounted at 20% for 2.5 years (previously discounted by 20% for 3 years).

# Eagle Pharmaceuticals - Quarterly and Annual Income Statement

Fiscal Year Ends September 30  
(\$ In millions, except for EPS)

|   | FY 2014E        |                 |                 |                 |                 | FY 2015E        |                 |                 |                 |                 |                 |                |                |                |                |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
|   | FY 2013A        | 1QA             | 2QA             | 3QA             | 4QE             | FY 2014E        | 1QE             | 2QE             | 3QE             | 4QE             | FY 2015E        | FY 2016E       | FY 2017E       | FY 2018E       | FY 2019E       |
| <b>Revenues</b>   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |
| Bendamustine 505(b)(2) generic sales                      |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 | \$0.0           | \$131.2        | \$83.3         | \$64.4         | \$56.1         |
| Ryanodex (dantrolene) - exertional heat stroke (EHS) (MH) |                 |                 |                 |                 | \$0.0           |                 | \$0.4           | \$1.3           | \$1.9           | \$2.4           | \$0.0           | \$0.0          | \$48.2         | \$81.1         | \$100.4        |
| Ryanodex (dantrolene) franchise sales                     |                 |                 |                 |                 | \$0.0           |                 | \$0.4           | \$1.3           | \$1.9           | \$2.4           | \$6.0           | \$10.2         | \$65.6         | \$103.5        | \$125.3        |
| Bivalirudin 505(b)(2) generic sales                       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |
| Pemetrexed 505(b)(2) generic sales                        |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |
| Argatroban revenues <sup>(1)</sup>                        | \$13.7          | \$5.5           | \$4.7           | \$2.3           | \$2.1           | \$14.6          | \$2.1           | \$1.9           | \$1.6           | \$1.4           | \$6.9           | \$2.5          | \$2.0          | \$2.0          | \$2.0          |
| Other revenues  | \$0.0           | \$0.0           | \$0.3           | \$3.5           | \$0.3           | \$4.1           | \$0.5           | \$0.5           | \$0.5           | \$0.5           | \$2.0           | \$2.0          | \$2.0          | \$1.5          | \$2.0          |
| <b>Total revenue</b>                                      | <b>\$13.7</b>   | <b>\$5.5</b>    | <b>\$5.0</b>    | <b>\$5.8</b>    | <b>\$2.4</b>    | <b>\$18.7</b>   | <b>\$3.0</b>    | <b>\$3.7</b>    | <b>\$4.0</b>    | <b>\$4.2</b>    | <b>\$14.9</b>   | <b>\$145.9</b> | <b>\$152.9</b> | <b>\$171.3</b> | <b>\$185.4</b> |
| Cost of sales   | 7.4             | 4.6             | 3.4             | 1.6             | 1.6             | 11.1            | 1.8             | 1.8             | 1.8             | 1.8             | 7.1             | 50.7           | 47.7           | 53.5           | 55.9           |
| <b>Gross Profit</b>                                       | <b>\$6.3</b>    | <b>\$0.9</b>    | <b>\$1.6</b>    | <b>\$4.2</b>    | <b>\$0.8</b>    | <b>\$7.6</b>    | <b>\$1.2</b>    | <b>\$1.8</b>    | <b>\$2.2</b>    | <b>\$2.5</b>    | <b>\$7.7</b>    | <b>\$95.3</b>  | <b>\$105.2</b> | <b>\$117.8</b> | <b>\$129.4</b> |
| Research & development                                    | 9.8             | 2.6             | 3.8             | 4.5             | 4.0             | 14.9            | 4.1             | 4.1             | 4.2             | 4.2             | 16.6            | 16.8           | 17.0           | 17.5           | 17.5           |
| Selling, general, and administrative                      | 5.0             | 1.3             | 1.5             | 2.7             | 3.7             | 9.2             | 4.4             | 4.7             | 5.0             | 5.3             | 19.4            | 24.0           | 29.0           | 34.0           | 38.5           |
| <b>Total expenses <sup>(2)</sup></b>                      | <b>\$22.1</b>   | <b>\$8.6</b>    | <b>\$8.6</b>    | <b>\$8.8</b>    | <b>\$9.3</b>    | <b>\$35.2</b>   | <b>\$10.3</b>   | <b>\$10.6</b>   | <b>\$11.0</b>   | <b>\$11.3</b>   | <b>\$43.1</b>   | <b>\$91.5</b>  | <b>\$93.7</b>  | <b>\$105.0</b> | <b>\$111.9</b> |
| <b>Operating Income</b>                                   | <b>(\$8.5)</b>  | <b>(\$3.1)</b>  | <b>(\$3.6)</b>  | <b>(\$3.0)</b>  | <b>(\$6.9)</b>  | <b>(\$16.5)</b> | <b>(\$7.3)</b>  | <b>(\$7.0)</b>  | <b>(\$7.0)</b>  | <b>(\$7.0)</b>  | <b>(\$28.3)</b> | <b>\$54.5</b>  | <b>\$59.2</b>  | <b>\$66.3</b>  | <b>\$73.4</b>  |
| Other income (expense), net                               | 1.5             | (0.2)           | (0.4)           | 0.0             | (0.2)           | (0.7)           | (0.2)           | (0.2)           | (0.2)           | (0.2)           | (0.6)           | (0.1)          | 0.2            | 0.2            | 0.2            |
| <b>Income (loss) before taxes</b>                         | <b>(\$6.9)</b>  | <b>(\$3.3)</b>  | <b>(\$4.0)</b>  | <b>(\$2.9)</b>  | <b>(\$7.0)</b>  | <b>(\$17.2)</b> | <b>(\$7.4)</b>  | <b>(\$7.1)</b>  | <b>(\$7.2)</b>  | <b>(\$7.2)</b>  | <b>(\$28.9)</b> | <b>\$54.4</b>  | <b>\$59.4</b>  | <b>\$66.5</b>  | <b>\$73.6</b>  |
| Income tax provision                                      | 0.9             | 0.0             | 1.3             | 0.0             | 0.0             | 1.3             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0            | (3.0)          | (13.3)         | (22.1)         |
| <b>non-GAAP Net income (loss)</b>                         | <b>(\$6.0)</b>  | <b>(\$3.3)</b>  | <b>(\$2.7)</b>  | <b>(\$2.9)</b>  | <b>(\$7.0)</b>  | <b>(\$15.9)</b> | <b>(\$7.4)</b>  | <b>(\$7.1)</b>  | <b>(\$7.2)</b>  | <b>(\$7.2)</b>  | <b>(\$28.9)</b> | <b>\$54.4</b>  | <b>\$56.4</b>  | <b>\$53.2</b>  | <b>\$51.5</b>  |
| <b>non-GAAP EPS, basic <sup>(3)</sup></b>                 | <b>(\$0.63)</b> | <b>(\$0.31)</b> | <b>(\$0.30)</b> | <b>(\$0.21)</b> | <b>(\$0.49)</b> | <b>(\$1.33)</b> | <b>(\$0.51)</b> | <b>(\$0.49)</b> | <b>(\$0.48)</b> | <b>(\$0.44)</b> | <b>(\$1.91)</b> | <b>\$3.18</b>  | <b>\$3.16</b>  | <b>\$2.86</b>  | <b>\$2.66</b>  |
| <b>non-GAAP EPS, diluted <sup>(3)</sup></b>               | <b>(\$0.63)</b> | <b>(\$0.31)</b> | <b>(\$0.30)</b> | <b>(\$0.21)</b> | <b>(\$0.49)</b> | <b>(\$1.33)</b> | <b>(\$0.51)</b> | <b>(\$0.49)</b> | <b>(\$0.48)</b> | <b>(\$0.44)</b> | <b>(\$1.91)</b> | <b>\$2.35</b>  | <b>\$2.36</b>  | <b>\$2.16</b>  | <b>\$2.03</b>  |
| Shares outstanding, basic <sup>(4)</sup>                  | 9.6             | 10.6            | 8.9             | 14.0            | 14.3            | 11.9            | 14.5            | 14.7            | 14.9            | 16.4            | 15.1            | 17.1           | 17.9           | 18.6           | 19.4           |
| Shares outstanding, diluted <sup>(4)</sup>                | 9.6             | 10.6            | 8.9             | 14.0            | 14.3            | 11.9            | 14.5            | 14.7            | 14.9            | 16.4            | 15.1            | 23.1           | 23.9           | 24.6           | 25.4           |
| <b>Expenses as % of sales:</b>                            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |
| COGS  | 54.0%           | 84.2%           | 67.1%           | 26.8%           | 65.3%           | 59.4%           | 58.9%           | 50.0%           | 45.1%           | 41.6%           | 48.1%           | 34.7%          | 31.2%          | 31.3%          | 30.2%          |
| R&D   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 | 11.5%          | 11.1%          | 10.2%          | 9.4%           |
| SG&A  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 | 16.4%          | 19.0%          | 19.8%          | 20.8%          |
| <b>Margins:</b>   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |
| Gross margin  | 46.0%           | 15.8%           | 32.9%           | 73.2%           | 34.7%           | 40.6%           | 41.1%           | 50.0%           | 54.9%           | 58.4%           | 51.9%           | 65.3%          | 68.8%          | 68.7%          | 69.8%          |
| Operating margin  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 | 37.3%          | 38.7%          | 38.7%          | 39.6%          |
| Net income  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 | 37.3%          | 36.9%          | 31.0%          | 27.8%          |
| Income Tax  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 | 0.0%           | 5.0%           | 20.0%          | 30.0%          |
| <b>Y-O-Y Growth rates:</b>                                |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |
| <b>Total revenue</b>                                      |                 |                 |                 |                 |                 | <b>36.6%</b>    |                 |                 |                 |                 | <b>-20.5%</b>   | <b>881.5%</b>  | <b>4.8%</b>    | <b>12.0%</b>   | <b>8.2%</b>    |
| R&D   |                 |                 |                 |                 |                 | 52.4%           |                 |                 |                 |                 | 11.2%           | 1.2%           | 1.2%           | 2.9%           | 0.0%           |
| Selling, general, and administrative                      |                 |                 |                 |                 |                 | 85.0%           |                 |                 |                 |                 | 111.5%          | 23.7%          | 20.8%          | 17.2%          | 13.2%          |
| Operating profit  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                | 12.0%          | 10.8%          |
| Net income  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                | -5.7%          | -3.1%          |
| <b>EPS</b>  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |

(1) Includes EGRX product sales and royalties from partners

(2) Total expenses include COGS

(3) Excludes dividends paid to convertible preferred stock holders

(4) Reflects conversion of preferred shares to common equity shares as a result of February 2014 IPO; also reflects a modest equity capital raise in FY 2015

Proprietary to Piper Jaffray & Co. August 11, 2014

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Current disclosure information for this company can be found at

<http://www.piperjaffray.com/researchdisclosures>

# Eagle Pharmaceuticals - Annual Cash Flow Statement

(\$ in millions)

|   | FY 2012A        | FY 2013A       | FY 2014E        | FY 2015E        | FY 2016E       | FY 2017E       | FY 2018E       |
|---|-----------------|----------------|-----------------|-----------------|----------------|----------------|----------------|
| <b>Beginning Cash &amp; Equivalents</b> | <b>\$8.1</b>    | <b>\$5.1</b>   | <b>\$10.5</b>   | <b>\$45.4</b>   | <b>\$34.5</b>  | <b>\$95.2</b>  | <b>\$157.7</b> |
| <b>Operating Activities</b>             |                 |                |                 |                 |                |                |                |
| Net Income (Loss)                       | (\$19.4)        | (\$6.0)        | (\$15.9)        | (\$28.9)        | \$54.4         | \$56.4         | \$53.2         |
| Depreciation & Amortization             | \$0.2           | \$0.1          | \$1.0           | \$1.0           | \$1.0          | \$1.0          | \$1.0          |
| Other                                   | \$0.4           | \$2.8          | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Stock-based Compensation                | \$0.4           | \$0.1          | \$2.0           | \$2.0           | \$2.0          | \$2.0          | \$2.0          |
| Net Change in Assets and Liabilities    | \$2.8           | (\$2.8)        | \$2.1           | (\$9.0)         | (\$0.6)        | (\$1.0)        | (\$0.2)        |
| <b>Cash From Operations</b>             | <b>(\$15.5)</b> | <b>(\$5.9)</b> | <b>(\$10.8)</b> | <b>(\$34.9)</b> | <b>\$56.8</b>  | <b>\$58.4</b>  | <b>\$56.0</b>  |
| <b>Investing Activities</b>             |                 |                |                 |                 |                |                |                |
| Capital Expenditures                    | (\$0.0)         | (\$0.0)        | (\$1.0)         | (\$1.0)         | (\$1.0)        | (\$1.0)        | (\$1.0)        |
| Short-Term Investments                  | \$3.0           | \$1.5          | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Acquisition of Tangible Assets          | \$0.0           | \$0.0          | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Acquisition of Intangibles              | \$0.0           | \$0.0          | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Other Investment                        | \$0.0           | \$0.0          | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| <b>Cash From Investing Activities</b>   | <b>\$3.0</b>    | <b>\$1.5</b>   | <b>(\$1.0)</b>  | <b>(\$1.0)</b>  | <b>(\$1.0)</b> | <b>(\$1.0)</b> | <b>(\$1.0)</b> |
| <b>Financing Activities</b>             |                 |                |                 |                 |                |                |                |
| Debt Issuance                           | \$9.7           | \$0.0          | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Debt Repayments                         | \$0.0           | \$9.8          | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Dividends                               | \$0.0           | \$0.0          | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Share Repurchases                       | \$0.0           | \$0.0          | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Stock and Option Issuances              | \$0.0           | \$0.0          | \$50.3          | \$25.0          | \$5.0          | \$5.0          | \$5.0          |
| Other, Net                              | (\$0.1)         | (\$0.0)        | (\$3.5)         | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| <b>Cash From Financing Activities</b>   | <b>\$9.5</b>    | <b>\$9.8</b>   | <b>\$46.7</b>   | <b>\$25.0</b>   | <b>\$5.0</b>   | <b>\$5.0</b>   | <b>\$5.0</b>   |
| Currency Translation Differences        | \$0.0           | \$0.0          | \$0.0           | \$0.0           | \$0.0          | \$0.0          | \$0.0          |
| Net Change In Cash                      | (\$3.0)         | \$5.4          | \$34.9          | (\$10.9)        | \$60.8         | \$62.4         | \$60.0         |
| <b>Year End Cash &amp; Equivalents</b>  | <b>\$5.1</b>    | <b>\$10.5</b>  | <b>\$45.4</b>   | <b>\$34.5</b>   | <b>\$95.2</b>  | <b>\$157.7</b> | <b>\$217.6</b> |

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# Eagle Pharmaceuticals - Annual Balance Sheet

(\$ in millions)

|                                       | FY 2012A     | FY 2013A      | FY 2014E      | FY 2015E      | FY 2016E       | FY 2017E       | FY 2018E       |
|---------------------------------------|--------------|---------------|---------------|---------------|----------------|----------------|----------------|
| <b>Current Assets</b>                 |              |               |               |               |                |                |                |
| Cash & Equivalents                    | \$5.1        | \$10.5        | \$45.4        | \$34.5        | \$95.2         | \$157.7        | \$217.6        |
| Marketable Securities                 | \$1.5        | \$0.0         | \$0.0         | \$0.0         | \$0.0          | \$0.0          | \$0.0          |
| Accounts Receivable, net              | \$1.6        | \$5.1         | \$1.0         | \$8.0         | \$8.4          | \$9.4          | \$10.2         |
| Inventories                           | \$0.1        | \$0.0         | \$2.7         | \$5.6         | \$6.5          | \$7.3          | \$7.7          |
| Other Current Assets                  | \$0.6        | \$1.9         | \$0.5         | \$0.5         | \$0.6          | \$0.7          | \$0.8          |
| <b>Total Current Assets</b>           | <b>\$8.9</b> | <b>\$17.5</b> | <b>\$49.6</b> | <b>\$48.6</b> | <b>\$110.8</b> | <b>\$175.1</b> | <b>\$236.3</b> |
|                                       |              |               |               |               |                |                |                |
| Property, Plant & Equipment, Net      | \$0.5        | \$0.4         | \$0.4         | \$0.4         | \$0.4          | \$0.4          | \$0.4          |
| Restricted Cash                       | \$0.0        | \$0.0         | \$0.0         | \$0.0         | \$0.0          | \$0.0          | \$0.0          |
| Other Assets                          | \$0.1        | \$0.2         | \$0.2         | \$0.2         | \$0.2          | \$0.2          | \$0.2          |
| <b>Total Assets</b>                   | <b>\$9.4</b> | <b>\$18.1</b> | <b>\$50.2</b> | <b>\$49.2</b> | <b>\$111.4</b> | <b>\$175.7</b> | <b>\$236.9</b> |
| <b>Liabilities &amp; Equity</b>       |              |               |               |               |                |                |                |
| Current Liabilities                   | \$12.3       | \$14.3        | \$15.1        | \$15.8        | \$16.6         | \$17.4         | \$18.3         |
| Total Debt                            | \$8.6        | \$0.0         | \$0.0         | \$0.0         | \$0.0          | \$0.0          | \$0.0          |
| Other Liabilities                     | \$82.0       | \$91.7        | \$0.0         | \$0.0         | \$0.0          | \$0.0          | \$0.0          |
| Equity                                | (\$93.4)     | (\$87.9)      | \$35.2        | \$33.4        | \$94.8         | \$158.3        | \$218.6        |
| <b>Total Liabilities &amp; Equity</b> | <b>\$9.4</b> | <b>\$18.1</b> | <b>\$50.2</b> | <b>\$49.2</b> | <b>\$111.4</b> | <b>\$175.7</b> | <b>\$236.9</b> |

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### 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<br>Piper Jaffray |       |         |                       |         |
|--|-------|---------|-----------------------|---------|
| Rating   | Count | Percent | IB Serv./Past 12 Mos. |         |
|  |       |         | Count                 | Percent |
| <b>BUY [OW]</b>                                      | 359   | 61.68   | 94                    | 26.18   |
| <b>HOLD [N]</b>                                      | 212   | 36.43   | 23                    | 10.85   |
| <b>SELL [UW]</b>                                     | 11    | 1.89    | 0                     | 0.00    |

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