

Eagle Pharmaceuticals Inc. (EGRX)

Overweight

Highlights From The 26th Annual Piper Jaffray Healthcare Conference

CONCLUSION

This morning, Eagle presented at the 26th Annual Piper Jaffray Healthcare Conference. Management provided an update regarding the recent launch of Ryanodex for malignant hyperthermia (MH), and provided additional color around the potential launch timeline for its bendamustine products (the brand predecessor being Teva's Treanda, a \$700M+ annual seller). With the potential for two products on the market by next year, visibility on significant expansion of the top-line is strong in our view. Given these dynamics, and especially the potential of even bigger value drivers (such as the expansion of Ryanodex in exertional heat stroke (EHS)), EGRX in our view is valued attractively in the context of a market cap of under \$200M. We reiterate our Overweight rating and \$23 price target.

- **Favorable commentary regarding the recent Ryanodex launch in MH.** Several institutions have already placed orders to date, switching out its stock of legacy dantrolene to Ryanodex (notable hospital systems that have placed orders include the National Institutes of Health (NIH), the Children's Hospital of Philadelphia, and Brigham and Women's Hospital). Recall that 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). Given the price point of Ryanodex (roughly three times more expensive than the legacy dantrolene product), management estimates that a complete conversion of the market to its product would create a market opportunity to EGRX of up to \$80M for every two-year cycle (bearing in mind the shelf life of Ryanodex is two years; this assumes that there are roughly 6,000 hospitals and 3,000 ambulatory centers in the U.S that stock dantrolene for MH events).
- **Update on the bendamustine litigation.** Litigation related to Teva's lawsuit related to patent #8,445,524 (the '524 patent) versus Eagle was recently dismissed. Recall that the '524 patent includes claims related to a lyophilized powder formulation of bendamustine. That said, Teva recently initiated litigation against EGRX regarding patent #8,791,270 (the '270 patent). Given that the '270 patent also contains claims related to a lyophilized formulation of bendamustine (bearing in mind that EGRX's products are liquid forms of bendamustine), management believes it is likely that this suit will eventually be dismissed as well. Patent #8,344,006 (the '006 patent) was posted to the FDA's Orange Book upon the commercial launch of Teva's liquid formulation of bendamustine last week. EGRX believes that it is unlikely that Teva will initiate litigation related to the patent given management's view that its liquid formulation is significantly different from Teva's (i.e., would support an argument of non-infringement). In short, management believes it is still well positioned to launch an enhanced bendamustine product in 2H15.
- **FDA approval of lower volume liquid form of bendamustine (EP-3102) possible by 2H15.** Recall that the first of Eagle's bendamustine products (known as EP-3101; this product received a tentative approval (TA) in early July) is a liquid formulation that is ready-to-dilute (RTD), though like Teva's predecessor product is infused over 30-60 minutes. In contrast, EP-3102 has a 10 minute infusion time. Following the recent completion of a bioequivalence study for this product, EGRX plans to hold a meeting with the FDA by the end of the year regarding an eventual filing in early 2015.

COMPANY DESCRIPTION

Eagle is focused on optimized generic injectibles.

PRICE: US\$13.26

TARGET: US\$23.00

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

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Related Companies:

EGRX
TEVA

Share Price:

13.26
57.28

RISKS TO ACHIEVEMENT OF PRICE TARGET

Pipeline setbacks and risks related to patent litigation.

* Price as of the close December 3, 2014

Price Performance - 1 Year



Source: Bloomberg

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Rating and Price Target History for: Eagle Pharmaceuticals Inc. as of 12-02-2014

The chart displays the historical performance of Eagle Pharmaceuticals Inc. from Q3 2012 to Q3 2015. The Y-axis represents the price and target, ranging from 6 to 16. The X-axis represents time, with labels for Q3 2012, Q1 2013, Q3 2013, Q1 2014, Q2 2014, Q3 2014, Q1 2015, Q2 2015, and Q3 2015. The price line (black) starts at \$22 and ends at \$23. The target line (red) starts at \$22 and ends at \$23. The rating line (blue) starts at 'B' and ends at 'B'. The chart also includes a legend for the rating and target lines.

Period	Price	Target	Rating
Q3 2012	\$22	\$22	B
Q1 2013	\$22	\$22	B
Q3 2013	\$22	\$22	B
Q1 2014	\$22	\$22	B
Q2 2014	\$22	\$22	B
Q3 2014	\$22	\$22	B
Q1 2015	\$22	\$22	B
Q2 2015	\$22	\$22	B
Q3 2015	\$23	\$23	B

Created by BlueMatrix

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]	378	61.97	101	26.72
HOLD [N]	220	36.07	22	10.00
SELL [UW]	12	1.97	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.

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- **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.

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