

Eagle Pharmaceuticals Inc. (EGRX)

Overweight

Near-Term Revenue Generation A Reality with Ryanodex Approval

CONCLUSION

This morning, Eagle announced that it received FDA approval for Ryanodex, its enhanced form dantrolene sodium injection for the treatment of malignant hyperthermia (MH). Recall that this is a lower-volume formulation that can be reconstituted far more rapidly than the predecessor form of dantrolene. We believe that hospitals will readily switch to a formulation that enables far more rapid administration. Though the dantrolene market is a modest \$20M annually, per IMS, we believe MH could be a consequential opportunity for EGRX given the potential for rapid adoption and pricing power over time (more on this below). We continue to believe EGRX is valued attractively, with a market cap of under \$200M in the context of promising shots-on-goal for Ryanodex (MH as well as exertional heat stroke) and an enhanced form of bendamustine (refer to our note on 7/8/14 for details). We reiterate our Overweight rating and \$22 PT.

- **Ryanodex launch in MH now on the horizon.** Recall that the product had priority review status at the FDA, and a decision on orphan drug status is expected in the next 4-6 weeks (though EGRX has expected orphan status, we would point out that the company does have patents on the product that expire as late as 2023). Ryanodex can be prepared and administered in less than one minute, allowing anesthesiologists to deliver a therapeutic dose of dantrolene sodium in a much more expedient manner compared to the predecessor high-volume formulation (which requires a total of 12 vials).
- **Our thinking on sales potential for Ryanodex in MH.** Given that the product represents a clear improvement over the predecessor form of dantrolene, we would expect to see widespread switching away from older products. Further, given that hospitals are required to stock dantrolene (MH, although exceedingly rare, is a life-threatening emergency in the operating room setting; refer to our initiation on EGRX on 3/10/14 for more details on MH), we would not be surprised to see EGRX flex some muscle on price after it has driven hospital adoption (though to be clear, management has hinted that it will initially price its product at a slight premium to the predecessor). As such, we believe that the Ryanodex opportunity for EGRX in MH could be meaningfully higher than the current dantrolene market size of around \$20M.
- **Exertional heat stroke (EHS) remains a compelling expansion opportunity.** EGRX expects to launch a pilot study evaluating Ryanodex in the EHS treatment later this year. The study will be conducted in Saudi Arabia and will compare the standard-of-care (SOC) EHS treatment (i.e., rapid cooling of the patient along with the administration of IV fluids) versus the SOC plus Ryanodex. Given the absence of pharmacologic options for EHS, we believe that the product (we have seen promising animal data to date) could turn out to be an important first-responder tool (not unlike Epi-Pen) in the emergency treatment of EHS patients. We continue to believe that EHS could be a market opportunity of \$200M+. We would expect to see a label expansion in this setting by the 2017/2018 timeframe at the earliest,

COMPANY DESCRIPTION

Eagle is focused on optimized generic injectibles.

PRICE: US\$12.61

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:

EGRX

Share Price:

12.61

RISKS TO ACHIEVEMENT OF PRICE TARGET

Pipeline setbacks and risks related to patent litigation.

Price Performance - 1 Year



Source: Bloomberg

Piper Jaffray does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decisions. This report should be read in conjunction with important disclosure information, including an attestation under Regulation Analyst certification, found on pages 2 - 3 of this report or at the following site: <http://www.piperjaffray.com/researchdisclosures>

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				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	363	62.59	95	26.17
HOLD [N]	203	35.00	20	9.85
SELL [UW]	14	2.41	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.

Copyright 2014 Piper Jaffray. All rights reserved.