

Eagle Pharmaceuticals Inc. (EGRX)

Overweight

Fiscal 4Q Update: Progress on Ryanodex; Bendamustine Visibility Looming

CONCLUSION

This morning, Eagle reported a fiscal 4Q14 net loss of (\$0.65), on revenues of \$2.8M. Ryanodex sales as expected were modest, though commentary from management suggests that the product is being well-received by hospitals, reinforcing our confidence in a strong longer-term sales ramp. Regarding EGRX's bendamustine products, though it is still not clear when EGRX will enter the market, we believe there is a realistic possibility that EGRX could be in a position to launch sometime in 2H15 (particularly considering that Teva's case on its '524 patent was dismissed). Given that EGRX could have two products on the market at this time next year, along with meaningful cash generation, we continue to believe that the shares are trading at an attractive risk/reward in the context of a market cap of around \$175M. We reiterate our Overweight rating and \$23 price target.

- **Ryanodex begins to contribute to the top line.** About \$200,000 of revenue came from Ryanodex sales in malignant hyperthermia. The product was launched in late August, and is supported by a 20-rep sales force calling on about 9,000 centers. EGRX noted that it has sold around \$800,000 worth of product to 65 different customers to date, and has begun to see conversion of multiple top tier treatment centers away from older forms of dantrolene (refer to our [note](#) on 12/3/14 for more details).
- **Additional color on Ryanodex in exertional heat stroke (EHS).** EGRX is now planning to conduct a pivotal study in Saudi Arabia in September 2015 (recall that the company originally planned to run a pilot study). The study will be run during the Muslim Hajj (pilgrimage) season (expected to be in September 2015). Management recently requested a meeting with the FDA in order to ascertain whether the data generated from this study would be sufficient to support a filing. EGRX noted that if the FDA wants to see data from non-Saudi Arabian sites, then it can conduct a study testing subjects in the U.S. military in the spring of 2016. Regarding potential endpoints for a pivotal study, EGRX suggested that it will assess a range of data points such as markers of organ damage and body temperature.
- **Visibility on bendamustine looming in 2015.** Given the dismissal of Teva's lawsuit on patent #8,445,524 and the likelihood in our view that litigation on patent #8,791,270 should not be a gating factor to a launch given that this is also a patent related to Teva's lyophilized form of the product (there is no longer any 30-month stay and EGRX's product is a liquid form to begin with), we believe that there is a reasonably strong possibility that EGRX's could enter the market in 2H15. Regarding EGRX's rapid-infusion product (EP-3102), the company is set to have a pre-NDA meeting with the FDA before year-end to discuss its eventual filing.

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
2014A	5.5	5.0	5.8	2.8	19.1	—	9.5x	NA	(0.31)	(0.30)	(0.21)	(0.65)	(1.81)	—	NM	NA
2015E	3.2E	3.7E	4.0E	4.0E	14.9E	—	12.2x	NA	(0.51)E	(0.49)E	(0.49)E	(0.46)E	(1.95)E	—	NM	NA
2016E	—	—	—	—	145.9E	—	1.2x	NA	—	—	—	—	2.38E	—	5.5x	NA

PRICE: US\$12.98

Price as of the close December 17, 2014

TARGET: US\$23.00

17x 2018E non-GAAP EPS of \$2.18, disc. 20%

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Changes	Previous	Current
Rating	—	Overweight
Price Tgt	—	US\$23.00
FY15E Rev (mil)	—	US\$14.9
FY16E Rev (mil)	—	US\$145.9
FY15E EPS	US\$(1.91)	US\$(1.95)
FY16E EPS	US\$2.35	US\$2.38
52-Week High / Low	US\$16.44 / US\$9.16	
Shares Out (mil)		14.0
Market Cap. (mil)		US\$181.7
Avg Daily Vol (ooo)		31
Book Value/Share		US\$2.36
Net Cash Per Share		US\$3.05
Debt to Total Capital		0%
Yield		0.00%
Fiscal Year End		Sep

Price Performance - 1 Year



Source: Bloomberg

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Exhibit 1

4Q14: ACTUAL VS. PJC/STREET ESTIMATES

<i>\$ in millions, except per share</i>	Actual	PJC Estimates
<i>Revenue</i>		
Bendamustine 505(b)(2) generic	\$0.0	\$0.0
Ryanodex - MH & EHS	\$0.2	\$0.0
Argatroban revenues	\$2.6	\$2.1
Other revenues	\$0.0	\$0.3
Total Revenues	\$2.8	\$2.4
<i>Consensus ⁽¹⁾</i>		\$2.7
<i>Expenses</i>		
COGS	\$2.2	\$1.6
R&D	\$5.9	\$4.0
SG&A	\$3.9	\$3.7
Operating Income	(\$9.1)	(\$6.9)
non-GAAP Net Income	(\$9.1)	(\$7.0)
non-GAAP EPS, diluted	(\$0.65)	(\$0.49)
<i>Consensus ⁽¹⁾</i>		(\$0.49)

(1) Consensus estimates prior to FY 4Q14 earnings call

Source: Company reports and PJC estimates.

Exhibit 2

CALENDAR OF UPCOMING EVENTS

Product/ Program	Event	Expected Date
Bendamustine	Submit sNDA for RTD, shorter infusion time formulation (EP-3102)	1H15
Bivalirudin	Possible NDA submission	1H15
Bendamustine	Potential launch of enhanced bendamustine formulation (EP-3101)	2H15
Dantrolene	Potential initiation of pivotal study for exertional heat stroke	September 2015

Note: Expected dates relate to calendar dates

Source: Company reports and PJC estimates.

Exhibit 3

SUMMARY OF PJC ESTIMATES

	FY 2015E		FY 2016E		FY 2017E		FY 2018E		FY 2019E	
<i>\$ in millions, except per share</i>	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior
Revenues										
Bendamustine 505(b)(2) generic sales	\$0	\$0	\$131	\$131	\$83	\$83	\$64	\$64	\$56	\$56
Ryanodex (dantrolene) - MH	\$6	\$6	\$10	\$10	\$17	\$17	\$22	\$22	\$25	\$25
Ryanodex (dantrolene) - EHS	\$0	\$0	\$0	\$0	\$48	\$48	\$81	\$81	\$100	\$100
Argatroban revenues	\$7	\$7	\$3	\$3	\$2	\$2	\$2	\$2	\$2	\$2
Other revenues	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Total Revenues	\$15	\$15	\$146	\$146	\$153	\$153	\$171	\$171	\$185	\$185
Consensus ⁽¹⁾	\$27		\$147							
Expenses										
COGS	\$7	\$7	\$51	\$51	\$48	\$48	\$54	\$54	\$56	\$56
Research & development	\$17	\$17	\$17	\$17	\$17	\$17	\$18	\$18	\$18	\$18
Selling, general and administrative	\$19	\$19	\$24	\$24	\$29	\$29	\$34	\$34	\$39	\$39
Other income (expense), net	(\$1)	(\$1)	(\$0)	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0
Operating Income	(\$28)	(\$28)	\$54	\$54	\$59	\$59	\$66	\$66	\$73	\$73
non-GAAP Net Income	(\$29)	(\$29)	\$54	\$54	\$56	\$56	\$53	\$53	\$52	\$52
Shares outstanding (diluted)	15	15	23	23	24	24	24	25	25	25
non-GAAP EPS, diluted	(\$1.95)	(\$1.91)	\$2.38	\$2.35	\$2.39	\$2.36	\$2.18	\$2.16	\$2.05	\$2.03
Consensus ⁽¹⁾	(\$0.97)		\$3.72							

(1) Consensus is prior to the FY 4Q14 call

Source: Company reports and PJC estimates.

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	4QA	FY 2014A	1QE	2QE	3QE	4QE	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E
Revenues															
Bendamustine 505(b)(2) generic sales											\$0.0	\$131.2	\$83.3	\$64.4	\$56.1
Ryanodex (dantrolene) - exertional heat stroke (EHS) (MH)					\$0.2	\$0.2	\$0.6	\$1.3	\$1.9	\$2.2	\$0.0	\$0.0	\$48.2	\$81.1	\$100.4
Ryanodex (dantrolene) franchise sales					\$0.2	\$0.2	\$0.6	\$1.3	\$1.9	\$2.2	\$6.0	\$10.2	\$65.6	\$103.5	\$125.3
Bivalirudin 505(b)(2) generic sales															
Pemetrexed 505(b)(2) generic sales															
Argatroban revenues ⁽¹⁾	\$13.7	\$5.5	\$4.7	\$2.3	\$2.6	\$15.1	\$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	\$0.0	\$3.8	\$0.5	\$0.5	\$0.5	\$0.5	\$2.0	\$2.0	\$2.0	\$1.5	\$2.0
Total revenue	\$13.7	\$5.5	\$5.0	\$5.8	\$2.8	\$19.1	\$3.2	\$3.7	\$4.0	\$4.0	\$14.9	\$145.9	\$152.9	\$171.3	\$185.4
Cost of sales	7.4	4.6	3.4	1.6	2.2	11.7	1.8	1.8	1.8	1.7	7.1	50.7	47.7	53.5	55.9
Gross Profit	\$6.3	\$0.9	\$1.6	\$4.2	\$0.6	\$7.4	\$1.4	\$1.8	\$2.2	\$2.3	\$7.7	\$95.3	\$105.2	\$117.8	\$129.4
Research & development	9.8	2.6	3.8	4.5	5.9	16.8	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	3.9	9.3	4.4	4.7	5.0	5.3	19.4	24.0	29.0	34.0	38.5
Total expenses ⁽²⁾	\$22.1	\$8.6	\$8.6	\$8.8	\$11.9	\$37.9	\$10.3	\$10.6	\$11.0	\$11.2	\$43.1	\$91.5	\$93.7	\$105.0	\$111.9
Operating Income	(\$8.5)	(\$3.1)	(\$3.6)	(\$3.0)	(\$9.1)	(\$18.8)	(\$7.1)	(\$7.0)	(\$7.0)	(\$7.2)	(\$28.3)	\$54.5	\$59.2	\$66.3	\$73.4
Other income (expense), net	1.5	(0.2)	(0.4)	0.0	0.0	(0.5)	(0.2)	(0.2)	(0.2)	(0.2)	(0.6)	(0.1)	0.2	0.2	0.2
Income (loss) before taxes	(\$6.9)	(\$3.3)	(\$4.0)	(\$2.9)	(\$9.1)	(\$19.3)	(\$7.3)	(\$7.1)	(\$7.2)	(\$7.3)	(\$28.9)	\$54.4	\$59.4	\$66.5	\$73.6
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)
non-GAAP Net income (loss)	(\$6.0)	(\$3.3)	(\$2.7)	(\$2.9)	(\$9.1)	(\$18.0)	(\$7.3)	(\$7.1)	(\$7.2)	(\$7.3)	(\$28.9)	\$54.4	\$56.4	\$53.2	\$51.5
non-GAAP EPS, basic ⁽³⁾	(\$0.63)	(\$0.31)	(\$0.30)	(\$0.21)	(\$0.65)	(\$1.81)	(\$0.51)	(\$0.49)	(\$0.49)	(\$0.46)	(\$1.95)	\$3.22	\$3.20	\$2.89	\$2.69
non-GAAP EPS, diluted ⁽³⁾	(\$0.63)	(\$0.31)	(\$0.30)	(\$0.21)	(\$0.65)	(\$1.81)	(\$0.51)	(\$0.49)	(\$0.49)	(\$0.46)	(\$1.95)	\$3.23	\$3.39	\$2.18	\$2.05
Shares outstanding, basic ⁽⁴⁾	9.6	10.6	8.9	14.0	14.0	10.0	14.2	14.4	14.6	16.1	14.8	16.9	17.6	18.4	19.2
Shares outstanding, diluted ⁽⁴⁾	9.6	10.6	8.9	14.0	14.0	10.0	14.2	14.4	14.6	16.1	14.8	22.9	23.6	24.4	25.2
Expenses as % of sales:															
COGS	54.0%	84.2%	67.1%	26.8%	77.3%	61.3%	56.8%	50.0%	45.1%	42.4%	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%
Margins:															
Gross margin	46.0%	15.8%	32.9%	73.2%	22.7%	38.7%	43.2%	50.0%	54.9%	57.6%	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%
Y-O-Y Growth rates:															
Total revenue						39.6%					-22.2%	881.5%	4.8%	12.0%	8.2%
R&D						71.7%					-1.3%	1.2%	1.2%	2.9%	0.0%
Selling, general, and administrative						88.1%					108.0%	23.7%	20.8%	17.2%	13.2%
Operating profit														12.0%	10.8%
Net income														-5.7%	-3.1%
EPS															

(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. December 17, 2014

Eagle: David Amsellem 212.284.9455

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
Beginning Cash & Equivalents	\$8.1	\$5.1	\$10.5	\$43.7	\$37.9	\$99.0	\$161.7
Operating Activities							
Net Income (Loss)	(\$19.4)	(\$6.0)	(\$18.0)	(\$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)	\$2.5	(\$3.9)	(\$0.3)	(\$0.7)	\$0.1
Cash From Operations	(\$15.5)	(\$5.9)	(\$12.5)	(\$29.8)	\$57.1	\$58.7	\$56.3
Investing Activities							
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
Cash From Investing Activities	\$3.0	\$1.5	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)
Financing Activities							
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
Cash From Financing Activities	\$9.5	\$9.8	\$46.7	\$25.0	\$5.0	\$5.0	\$5.0
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	\$33.3	(\$5.8)	\$61.1	\$62.7	\$60.3
Year End Cash & Equivalents	\$5.1	\$10.5	\$43.7	\$37.9	\$99.0	\$161.7	\$221.9

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Eagle: David Amsellem 212.284.9455

Eagle Pharmaceuticals - Annual Balance Sheet

(\$ in millions)

	FY 2012A	FY 2013A	FY 2014A	FY 2015E	FY 2016E	FY 2017E	FY 2018E
Current Assets							
Cash & Equivalents	\$5.1	\$10.5	\$22.7	\$37.9	\$99.0	\$161.7	\$221.9
Marketable Securities	\$1.5	\$0.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0
Accounts Receivable, net	\$1.6	\$5.1	\$7.3	\$8.0	\$8.4	\$9.4	\$10.2
Inventories	\$0.1	\$0.0	\$1.3	\$5.6	\$6.5	\$7.3	\$7.7
Other Current Assets	\$0.6	\$1.9	\$1.7	\$2.0	\$2.3	\$2.6	\$3.0
Total Current Assets	\$8.9	\$17.5	\$53.0	\$73.4	\$136.1	\$201.0	\$262.7
Property, Plant & Equipment, Net	\$0.5	\$0.4	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
Restricted Cash	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Assets	\$0.1	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Assets	\$9.4	\$18.1	\$53.4	\$73.8	\$136.5	\$201.4	\$263.1
Liabilities & Equity							
Current Liabilities	\$12.3	\$14.3	\$20.3	\$21.3	\$22.4	\$23.5	\$24.7
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)	\$33.1	\$52.5	\$114.1	\$177.9	\$238.4
Total Liabilities & Equity	\$9.4	\$18.1	\$53.4	\$73.8	\$136.5	\$201.4	\$263.1

Proprietary to Piper Jaffray & Co. December 17, 2014

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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]	384	61.54	102	26.56
HOLD [N]	226	36.22	21	9.29
SELL [UW]	14	2.24	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

— Michael C. Chang, 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.

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- **Underweight (UW):** Anticipated to underperform relative to the median of the group of stocks covered by the analyst.

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