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EQUITY RESEARCH
Company Report

April 28, 2015

Alimera Sciences (ALIM - $4.60)

Healthcare / Biotechnology

Initiation of Coverage

Ticker:	**ALIM**
Rating:	**Buy**
Price Target:	**$12.00**

We are initiating coverage of Alimera Sciences (ALIM) with a BUY rating and a $12 price target. ALIM's lead product is Iluvien, a novel three-year extended-release formulation of the corticosteroid fluocinolone acetonide delivered to the back of the eye to treat diabetic macular edema (DME). More than 1.5 million people in the US and Europe are afflicted with DME annually, with 30-50% unresponsive to standard of care lasers or anti-VEGF treatment. This represents a significant market opportunity for ALIM as the company launches Iluvien in the US in 2015 and continues its ongoing rollout across the EU. With the launch of Iluvien in the US, ALIM should be able to dramatically grow top and bottom lines through our forecast period and could become EPS positive by 2016. We see the Iluvien launch as transformative for ALIM, and we are initiating coverage with a BUY rating and $12 price target.

- **Novel long-acting treatment for refractory DME.** There is a substantial number of anti-VEGF refractory patients for whom a long-acting steroid will be an excellent treatment option. We conservatively estimate ~30% of anti-VEGF patients fail to respond to therapy. The three-year long-acting convenience of Iluvien should help ALIM carve out share vs. Allergan's $160MM annual seller, the three-month injection Ozurdex for DME and uveitis.

- **US launch underway, already on market in the EU.** While the EU launch has overall been slow due to the requirements of the various countries, it is progressing well in the UK. The US launch is currently underway, and we anticipate this could be a catalyst for rapid EPS growth in 2015-2016 and for driving to EPS profitability in 2016 — a key inflection point for small-cap pharmaceutical companies.

- **Management team has been here before.** CEO Dan Myers was a founding member of Novartis Ophthalmics and launched the successful wet-AMD treatment Visudyne. He is partnered with CSO Ken Green, who worked on the development of Visudyne, Rescula, and Zaditor while at Novartis and QLT, so the management team has a deep bench of experienced ophthalmic development talent.

- **Initiate with a BUY rating, $12 price target.** Our $12 price target is based on a sum-of-the-parts analysis, with US Iluvien sales valued at $10/share, EU Iluvien sales valued at $1.5/share, and cash and tech valued at $0.5/share.

Trading Data:

Last Price (04/27/15)	$4.60
52–Week High (09/03/2014)	$6.54
52–Week Low (03/27/2015)	$4.12
Market Cap. (MM)	$204.0
Shares Out. (MM)	44.35

Earnings Estimates: (per share)

(Sep)	1Q	2Q	3Q	4Q	FY	P/E
FY16E	$0.00	$0.04	$0.07	$0.14	$0.25	xx.x
FY15E	($0.23)	($0.18)	($0.18)	($0.13)	($0.70)	NA
FY14	($0.21)	($0.16)	($0.22)	($0.25)	($0.84)	NA
FY13	($0.27)	($0.30)	($0.25)	($0.24)	($1.11)	NA

Source: Laidlaw & Company estimates

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Summary and Investment Thesis

We are initiating coverage of Alimera Sciences (ALIM) with a BUY rating and a $12 price target. ALIM's lead product is Iluvien, a novel three-year extended-release formulation of the corticosteroid fluocinolone acetonide delivered to the back of the eye to treat diabetic macular edema (DME). More than 1.5 million people in the US and Europe are afflicted with DME annually, with 30-50% unresponsive to standard of care lasers or anti-VEGF treatment. This represents a significant market opportunity for ALIM as the company launches Iluvien in the US in 1Q15 and continues its rollout across the EU. With the launch of Iluvien underway in the US ALIM should be able to dramatically grow top and bottom lines through our forecast period and become EPS positive by 2016. We see the ongoing Iluvien launch as transformative for ALIM, and we are initiating coverage with a BUY rating and $12 price target.

- Novel long-acting treatment for refractory DME. There is a substantial number of anti-VEGF refractory patients for whom a long-acting steroid will be an excellent treatment option. We conservatively estimate ~30% of anti-VEGF patients fail to respond to therapy. The three-year long-acting convenience of Iluvien should help ALIM carve out share vs. AGN's ~$160MM annual seller, the three-month injection Ozurdex for DME and uveitis.

- US launch underway, already on market in the EU. While the EU launch has been slow due to the specific requirements of the various countries, it is progressing well in the UK. The US launch is currently ongoing, and we anticipate this should be a catalyst for rapid EPS growth in 2015-2016 and for driving to EPS profitability in 2016 — a key inflection point for small-cap pharmaceutical companies.

- Deep experienced management team that has been here before. CEO Dan Myers was a founding member of Novartis Ophthalmics and launched the successful wet-AMD treatment Visudyne. He is partnered with CSO Ken Green, who worked on the development of Visudyne, Rescula, and Zaditor while at Novartis (QLTI), so the management team has a deep bench of experienced ophthalmic development.

Figure 1. Upcoming Potential Catalysts

Event	Expected Timing
Ongoing US Iluvian launch	2015
Additional EU Iluvien launches	2015

Source: Company reports; Laidlaw & Company estimates

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Valuation

Our $12 price target is based on a sum-of-the-parts analysis, with US Iluvien sales valued at $10/share, EU Iluvien sales valued at $1.5/share, and cash and tech valued at $0.5/share

Figure 2.Sum-of-the-Parts Analysis

Sum-of-the-parts value: ALIM		
Segment	Valuation (000's)	Per share value
Illuvien - US	$662,185	$10
Illuvien - EU	$115,964	$1.5
Net cash '15 & tech value	$21,531	$0.5
SUM	**$799,679**	**$12**
Shares out '15E (000)		66,796

Source: Company reports; Laidlaw and Company estimates

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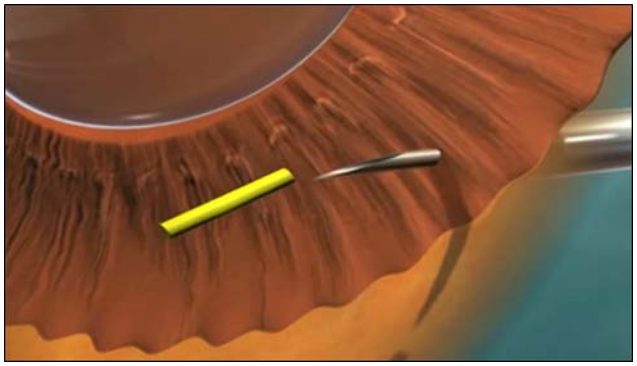
Company Description

ALIM is a biopharmaceutical company that develops ophthalmic pharmaceuticals focused on diseases affecting the back of the eye. ALIM markets Iluvien, which was recently approved by the FDA for the treatment of diabetic macular edema (DME) in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure (IOP). Importantly, Iluvien was approved without any restriction requiring patients to have undergone, or be scheduled for, cataract surgery, which should help drive market acceptance. Iluvien has previously been approved by the EMA, and ALIM is in the process of securing marketing authorization in the various EU countries. Iluvien has already secured marketing authorization in the UK, Austria, Portugal, France, Germany, and Spain, and has been recommended for marketing authorization in Italy and just recently Belgium. DME is a disease of the retina that affects individuals with diabetes and can lead to severe vision loss and blindness.

Figure 3: Iluvien Injection to Vitreous



Source: Laidlaw and Company and Company Presentation

Iluvien Platform for Diabetic Macular Edema

Iluvien is a sterile non-bioerodable intravitreal implant containing 0.19 mg (190 mcg) fluocinolone acetonide in a 36-month sustained-release drug delivery system. Iluvien is designed to release fluocinolone acetonide at an initial rate of 0.25 µg/day. Iluvien is preloaded into a single-use applicator to facilitate injection of the implant directly into the vitreous. The drug substance is a synthetic corticosteroid, fluocinolone acetonide. By injecting Iluvien directly into the back of the eye, the drug is released in its site of action, eliminating risks of systemic exposure. Iluvien uses a third generation of Durasert, a miniature sustained-release drug delivery technology.

In the treatment of chronic DME with an intraocular corticosteroid, ALIM delivers therapeutic levels that mitigate the typical side effects, which can only be achieved by delivering drug to the back of the eye, where DME occurs, and minimizing exposure in the front of the eye, where the typical side effects take place. To achieve this, Iluvien is inserted in the back of the patient's eye to a placement site that uses the eye's natural fluid dynamics to focus drug delivery in the back of the eye. Therefore, we believe Iluvien delivers a sustained therapeutic effect in chronic DME and an adverse event profile that is predictable and manageable by a retinal physician.

Figure 4. Iluvien Injector

Source: Company presentation

DME, the primary cause of vision loss associated with diabetic retinopathy, is a disease affecting the macula, the part of the retina

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responsible for central vision. When the blood vessel leakage of diabetic retinopathy causes swelling in the macula, the condition is called DME. The onset of DME is painless and typically goes undetected by the patient until it manifests with blurring of central vision or acute vision loss.

In the US alone, approximately 21 million people suffer from diabetes, with ~3% of them developing DME (600,000-700,000 patients). Approximately 30% of DME patients are unresponsive to the standard of care (lasers, anti-VEGF therapy), with some estimates putting the refractory patient percentage as high as 40-50% of DME patients. We conservatively estimate that the EU refractory patient population is roughly similar in size. We estimate that by 2017 Iluvien could capture ~10% of the DME population that is unresponsive to anti-VEGF therapy.

Figure 5. Sales Growth Projections -

Alimera Sciences
Iluvian US sales model

(values in 000's)	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**
US diabetic population	21,420	21,848	22,285	22,731	23,186	23,649
% Diabetic Macular Edema (DME)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
# US DME patients (000)	643	655	669	682	696	709
% unresponsive to anti-VEGF	30%	30%	30%	30%	30%	30%
# US unresponsive to anti-VEGF	193	197	201	205	209	213
% Iluvien of unresponsive US patients	1.5%	4.6%	9.4%	16.5%	20.0%	23.5%
# Iluvien unresponsive US patients (000)	2.8	9.1	18.8	33.8	41.7	50.0
Annual cost of therapy	$8,250	$8,250	$8,588	$8,694	$9,128	$9,767
Iluvien US sales ($000)	**$23,220**	**$75,232**	**$162,122**	**$293,789**	**$380,969**	**$488,552**
growth Y-Y		224%	115%	81%	30%	28%

Source: Laidlaw and Company Estimates

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Iluvien: What a long, strange trip it's been

It's said that "that which does not kill us makes us stronger." By this justification, Iluvien — and ALIM management — may be the strongest they're ever going to get. From initiating the FAME trials in April 2007 to three complete response letters to final FDA approval in September 2014, it's rare to see a drug or pharmaceutical company survive this many hurdles to approval (see table below for approval history). That said, ultimately, Iluvien has been approved with a broader label than anticipated — for all DME patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure (IOP). Importantly, there are no limitations for either chronic DME, restrictions to refractory patients only, or only patients who have had cataract surgery.

Figure 6. Iluvien Approval History

Date	Event
9/26/2014	**FDA Approval** - approved for all patients with DME
4/1/2014	ALIM resubmits NDA with EU safety data
10/18/2013	**CRL #3** - FDA denies on risk/benefit; asks for 1 more 12-month trial
5/1/2013	ALIM resubmits NDA with safety data
11/11/2011	**CRL #2** - FDA denies on risk/benefit; asks for 2 more trials
5/13/2011	ALIM resubmits NDA with 36-month subgroup analysis
12/13/2010	**CRL #1** - FDA wants to see 36 month DME subgroup data for approval
6/29/2010	ALIM submits Iluvien NDA
12/23/2009	ALIM completes 24 month FAME A & B trials
10/8/2007	ALIM completes enrollment in FAME A & B trials
8/22/2007	ALIM initiaties FAME trials

Source: Company Reports

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Figure 7. Phase III Trial Design

2 Phase 3 trials: FAME A & FAME B	
Aim	Safety & efficacy of iluvien in treating diabetic macular edema
Design	24 month dosing, 6 mo follow-up, US & CAN, EU, India; 2 dose parallel group, placebo, 2x blind, rescue laser therapy after wk 6, retreatment at month 12 if BCVA drops 5+ letters or 50 µm+ loss in foveal thickness from best status
Dosing	randomized 2:2:1 to get 0.2µg/day, 0.5µg/day, placebo injected in the vitreous
Endpoints	1': % of patients with best corrected visual acuity (BCVA) improves 15 letters or more at month 24 (mo 36 in subgroup)
Patients	n = 956 (total both trials); retinal thickness of 250 µm or greater with 1 prior laser treatment & BCVA score between 19 and 68 (20/50 to 20/400); Median duration DME at baseline was 3 years
Safety	IOP increase of 30 mmHg or greater at any time point seen in 16.3% of low dose patients & 21.6% of high dose patients; 2.1% of low dose & 5.1% high dose patients had a trabeculectomy (filtration procedure) to reduce eye pressure.
Results - 5/13/11	Subgroup analysis - 36 month data for 536 patients with DME for 3+ years at baseline: 1': Trial A - 31.8% (p=0.010) improvement, Trial B - 36.4% (p=0.004) improvement

Source: Company Reports

Other Treatment Options for DME

Laser photocoagulation has been the standard of care for DME for many years; it reduces the incidence of visual loss by up to 50%. Laser photocoagulation is a retinal procedure in which a laser is used to apply a burn or a pattern of burns to cauterize leaky blood vessels to reduce edema. Visual acuity gains are seen with this therapy; however, its primary benefit is to prevent or slow vision loss. More recently, intravitreal injections of anti-VEGF (vascular endothelial growth factor) agents such as ranibizumab (Lucentis) and bevacizumab (Avastin) have become commonplace. Lucentis is effective in reducing central macular thickness (CMT) and improving best corrected visual acuity (BCVA) in DME over a 12- to 36-month follow-up period. Corticosteroids are also used to suppress multiple pathways of inflammation and reduce damage to the blood-retina barrier, and they provide an excellent therapeutic strategy for DME. Retinal specialists have supplemented laser photocoagulation and Lucentis with the use of off-label intravitreal injections of other anti-VEGF antibody and corticosteroid therapies.

Both anti-VEGF antibodies and corticosteroids are efficacious in some patients suffering from DME. However, both corticosteroids and anti-VEGF antibodies are limited by a need for multiple injections to maintain a therapeutic effect and are not efficacious in all patients. Some patients do not achieve a response or achieve an insufficient response from these therapeutic approaches. In addition, these therapies have safety concerns. Corticosteroids have historically been associated with significant increases in pressure (IOP), which may increase the risk of glaucoma and the acceleration of cataract formation. Frequent injections of anti-VEGF

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antibody treatments increase the risk of endophthalmitis and have also been shown to raise IOP in certain patients.

Allergan's Ozurdex: A shorter-duration DME treatment

AGN recently won FDA approval to expand the label for Ozurdex (the company's dexamethasone 0.7 mg intravitreal implant) to treat all DME patients. Approved in June 2014 for DME in adult patients who have an artificial lens implant (pseudophakic) or who are scheduled for cataract surgery (phakic), the label was expanded for use in the general DME patient population in September 2014.Ozurdex was originally approved in 2010 for uveitis.

During its recent 3Q14 call AGN disclosed that Ozurdex sold $117MM in the first three quarters of 2014, which annualizes to almost $160MM. This is even before the DME approval, which AGN calls the biggest opportunity for Ozurdex to date.

With a conservatively estimated ~200,000 US patient population and another 200,000+ in the EU, we believe that having a larger competitor like AGN increasing awareness for treating DME with long-acting steroids should help both ALIM and AGN grow the pie overall.

pSivida Partnership

ALIM licensed Iluvien from pSivida in February 2005 (amended March 2008) for the worldwide exclusive license to develop and sell Iluvien. The agreement also gives ALIM a worldwide non-exclusive license to develop and sell PSDV's proprietary delivery device to deliver other corticosteroids to the back of the eye (other than uveitis) or to treat DME by delivering a compound to the back of the eye through a direct delivery method through an incision required for a 25-gauge or larger needle. ALIM does not have the right to develop and sell PSDV's delivery device for diseases outside of the eye or for the treatment of uveitis.

Under the terms of the restructured agreement ALIM will pay PSDV 20% of the net profits (as defined in the amended and restated agreement) of Iluvien sales. ALIM is the entity that decides on the ultimate profitability of Iluvien sales, including the ability to recover 20% of commercialization costs of Iluvien prior to product profitability out of PSDV's net profit share. As of December 31, 2013, PSDV owed ALIM $11.0MM in commercialization costs. If ALIM sublicenses Iluvien the company is required to split 20% of net profits and 33% of any lump sum milestone payments received from the sub-licensee with PSDV.

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Diabetic Macular Edema Background

Diabetic macular edema (DME) occurs when blood vessels in the retina of patients with diabetes begin to leak into the macula, the part of the eye responsible for detailed central vision. These leaks cause the macula to thicken and swell, progressively distorting acute vision. While the swelling may not lead to blindness, the effect can cause a severe loss in central vision. DME is the major cause of vision loss in people with diabetic retinopathy. People with diabetes have a 10% risk of developing the condition during their lifetime.

Diabetic retinopathy and macular edema are detected during a comprehensive eye exam that includes:

- Visual acuity test. This eye chart test measures how well the patient sees at various distances.
- Dilated eye exam. Drops are placed in the eyes to widen, or dilate, the pupils allowing physicians to see more of the inside of the eyes to check for signs of the disease.
- Tonometry. An instrument measures the pressure inside the eye. Diabetes mellitus itself, of which DME is a small subset, is a global public health threat. We estimate the prevalence of diabetes worldwide in 2013 was approximately 382 million people, which could grow to 592 million people by 2035. In the EU, according to the International Diabetes Federation's Diabetes Atlas (sixth edition), there are ~23 million diabetics, of which we estimate ~1.3 million suffer from DME. According to the U.S. Centers for Disease Control and Prevention (CDC), the number of Americans diagnosed with diabetes is approximately 21 million people currently.

Patients with diabetes are at risk of developing some form of diabetic retinopathy, an ophthalmic complication of diabetes with symptoms including the swelling and leakage of blood vessels within the retina or the abnormal growth of new blood vessels on the surface of the retina. According to the American Diabetes Association (ADA), diabetic retinopathy causes between 12,000 and 24,000 new cases of blindness in the US each year. Diabetes is the leading cause of blindness in adults aged 20 to 74 in the US. Diabetic retinopathy can be divided into either nonproliferative or proliferative retinopathy. Non-proliferative retinopathy (also called background retinopathy) develops first and causes

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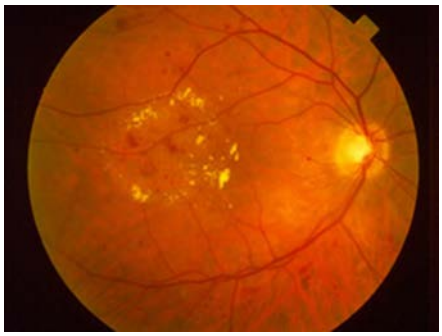
increased capillary permeability, micro aneurysms, hemorrhages, exudates, macular ischemia and macular edema (thickening of the retina caused by fluid leakage from capillaries). Proliferative retinopathy is an advanced stage of diabetic retinopathy which, in addition to characteristics of non-proliferative retinopathy, results in the growth of new blood vessels. These new blood vessels are abnormal and fragile, growing along the retina and along the surface of the clear, vitreous gel that fills the inside of the eye. By themselves, these blood vessels do not cause symptoms or vision loss, but these vessels have thin, fragile walls that are prone to leakage and hemorrhage, which causes blurred vision and blindness.

DME is the primary cause of vision loss associated with diabetic retinopathy. When the blood vessel leakage of diabetic retinopathy causes swelling in the macula, the condition is called DME. This manifests with the blurring of central vision, which may range from mild to profound loss of vision. As it persists, DME can transition to chronic DME, where more inflammatory factors become present. First line treatments may no longer reduce the macular edema or improve vision of the patient with chronic DME even after a significant reduction in macular edema has occurred.

Figure 8. Diabetic Macular Edema



Source: www.winchesterretina.com/diabetic-retinal-disease.php

Major Risks

Exogenous events could impact our outlook. We believe pharmaceutical companies have the least control over competitive, political, and regulatory risks. Although we have incorporated competitive assumptions into our forecasts, there may be other risks beyond the scope of our analysis. Changes in the drug reimbursement system, as well as any political or regulatory amendments, may significantly influence the earnings power of these companies.

Actual clinical results and the FDA's conclusions may deviate from expectations. Many of our assumptions are based on a review of incomplete clinical trial data available in the public domain. Often, our conclusions are drawn from early stage data, which may not be reflected by pivotal studies. Furthermore, the FDA's conclusions may not coincide with our own, materially changing our revenue and earnings assumptions.

Compliance issues, product recalls, and other mandates by regulatory authorities could materially change our expectations. Regulatory compliance issues, ranging from accounting irregularities to defective manufacturing practices, could materially change our assumptions and earnings outlook. Unanticipated product recalls and labeling changes could also have adverse consequences on our earnings assumptions.

Legal risks could lead to additional liabilities and revenue loss. In addition to the expenses incurred by patent challenges, product liability and other legal suits could occur and lead to additional liabilities and revenue loss, which could substantially change our financial assumption

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Management

Dan Myers, President and CEO. Mr. Myers is the co-founder of ALIM and has served as its president and CEO since 2003. Under his leadership ALIM has raised Series A, Series B, and Series C venture funding totaling approximately $106MM and went public in 2010, raising $72MM in additional capital. Prior to ALIM, Dan was a founding member of Novartis Ophthalmics (formerly CIBA Vision Ophthalmics) and served as vice president of sales and marketing and later as president from 1997 through 2002.

Rick Eiswirth, COO and CFO. Mr. Eiswirth joined ALIM in 2005 as the CFO and assumed the position of COO in 2010. He is responsible for strategic finance, accounting, distribution, logistics, human resources, and information technology. Rick brings a wealth of financial management experience to the team with both public and private ventures. Since joining ALIM, he led financing activities, raising more than $300MM in private and public equity, and debt financing. Rick has previously served as the chairman of the board of directors and audit committee for Jones Soda Co., a Seattle-based publicly traded company; director and audit committee chairman of Color Imaging, Inc., an Atlanta-based publicly traded company; and vice chairman of the North Metro Miracle League, an Atlanta-based charitable organization.

Philip Ashman, Senior VP European Managing Director. Mr. Ashman joined ALIM in January 2013 as senior vice president and European managing director and leads the company's European operations, Alimera Sciences Limited, headquartered in the UK. Philip holds a doctorate in biochemistry from the University of London: Royal Holloway and Bedford, U.K., and a Bachelor of Science degree in biochemistry from the University College London, U.K.

Ken Green, PhD, CSO. Dr. Green is responsible for all preclinical and clinical development activities supporting the company's portfolio. He provides input to the project teams regarding clinical and preclinical trial design and development strategy and supports the marketing and sales organizations with input to post-marketing study strategies. Additionally, he serves as a member of the executive committee helping to define the overall strategic direction of the company. Prior to ALIM, Dr. Green worked with Lederle Laboratories, Storz Ophthalmics, Bausch & Lomb, CIBA Vision, and Novartis Ophthalmics. At Novartis Ophthalmics Ken served as the global head of clinical science, where he was involved with the development of Visudyne (verteporfin for injection), Rescula (unoprostone isopropyl ophthalmic solution .15%) and Zaditor (ketotifen fumerate ophthalmic solution) in both the US and Europe.

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Quarterly Income Statement

Alimera Sciences
Quarterly income statement

($000 except per share)	2014A 1QA	2014A 2QA	2014A 3QA	2014A 4QA	2014A Year	2015E 1QE	2015E 2QE	2015E 3QE	2015E 4QE	2015E Year
Revenues										
Iluvien - US						$1,590	$4,771	$6,759	$10,099	$23,220
Iluvian ex-US	$2,084	$2,190	$2,408	$1,741	$8,423	2,461	2,685	3,580	4,475	13,202
Total Revenue	**$2,084**	**$2,190**	**$2,408**	**$1,741**	**$8,423**	**$4,052**	**$7,456**	**$10,340**	**$14,575**	**$36,422**
Expenses:										
Cost of Revenue (COGS)	564	376	372	130	1,442	972	1,790	2,481	3,498	8,741
Gross Margin	**1,520**	**1,814**	**2,036**	**1,611**	**6,981**	**3,079**	**5,667**	**7,858**	**11,077**	**27,681**
Research and development	2,626	1,809	3,941	2,987	11,363	3,250	3,500	3,750	4,500	15,000
General & administration	2,927	2,827	3,040	4,236	13,030	4,250	4,250	4,500	4,500	17,500
Sales & marketing	3,411	3,136	3,680	5,308	15,535	5,750	6,000	7,750	8,000	27,500
Total operating expenses	8,964	7,772	10,661	12,531	39,928	13,250	13,750	16,000	17,000	60,000
Income (loss) from Operations	**(7,444)**	**(5,958)**	**(8,625)**	**(10,920)**	**(32,947)**	**(10,171)**	**(8,083)**	**(8,142)**	**(5,923)**	**(32,319)**
Int inc (expense), other net	(129)	(325)	(408)	(1,228)	(2,090)	(150)	(150)	(150)	(150)	(600)
Income (loss) before taxes	**(20,759)**	**1,185**	**(6,964)**	**(9,198)**	**(35,736)**	**(10,321)**	**(8,233)**	**(8,292)**	**(6,073)**	**(32,919)**
Income tax exp (benefit)		69	45	60	174	-	-	-	-	0
Net Income (Loss)	**(20,759)**	**1,116**	**(7,009)**	**(9,258)**	**(35,910)**	**(10,321)**	**(8,233)**	**(8,292)**	**(6,073)**	**(32,919)**
Pref stock conversion exp				(750)	(750)					
Net Income (Loss) to common				**(10,008)**	**(36,660)**					
1x items & non-cash exp	(13,186)	7,468	1,885	2,016	(1,817)					
Adj NI less non cash & 1x items	**(7,573)**	**(6,352)**	**(8,894)**	**(11,274)**	**(34,093)**					
EPS as reported	**($0.58)**	**$0.02**	**($0.17)**	**($0.23)**	**($0.91)**	**($0.23)**	**($0.18)**	**($0.18)**	**($0.13)**	**($0.70)**
Adj EPS ex-1x & non-cash items	**($0.21)**	**($0.16)**	**($0.22)**	**($0.25)**	**($0.84)**					
Weighted avg. shares (000)	35,853	40,276	41,063	44,296	40,397	45,296	46,296	47,296	48,296	46,796

Source: Company reports and Laidlaw estimates

Specialty Pharmaceuticals
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Annual Income Statement

Alimera Sciences
Annual income statement

($000 except per share)	2014A	2015E	2016E	2017E	2018E	Comments
Revenues						
Iluvien - US	-	23,220	75,232	162,122	293,789	US launch 1Q15
Iluvian ex-US	8,423	13,202	29,671	57,037	77,174	EU roll-out through 2016
Total Revenue	**$8,423**	**$36,422**	**$104,902**	**$219,158**	**$370,963**	
Expenses:						
Cost of Revenue (COGS)	1,442	8,741	24,128	50,406	85,322	pSivida payments here
Gross Margin	**6,981**	**27,681**	**80,775**	**168,752**	**285,642**	
R&D	11,363	15,000	13,500	14,500	16,500	
General & administration	13,030	17,500	18,750	19,250	20,000	
Sales & marketing	15,535	27,500	30,500	34,750	35,500	50 reps for US launch
Total op exp	39,928	60,000	62,750	68,500	72,000	
Inc/(loss) from Ops	**(32,947)**	**(32,319)**	**18,025**	**100,252**	**213,642**	
Int income (exp), net	(2,090)	(600)	(600)	(600)	(600)	
Other expenses, net	-	-	-	-	-	
Inc/(loss) before taxes	**(35,736)**	**(32,919)**	**17,425**	**99,652**	**213,042**	
Income tax exp (benefit)	174	-	-	12,532	51,111	Substantial tax loss carryforwards
Net Income (Loss)	**($35,910)**	**($32,919)**	**$17,425**	**$87,120**	**$161,931**	
1x items & non-cash exp	(1,817)	0	0	0	0	
Adj NI less non cash & 1x items	**($34,093)**	**$0**	**$0**	**$0**	**$0**	
Earning per Share	**($0.91)**	**($0.70)**	**$0.25**	**$1.25**	**$2.25**	
Adj EPS ex-1x & non-cash items	**($0.84)**					
Weighted avg. shares (000)	40,397	46,796	49,546	51,546	54,546	
Fully diluted shares (000)	61,800	66,796	69,546	69,546	72,046	
Cash balance	$76,697	$43,573	$72,198	$172,768	$349,049	$50MM Deerfield Series B shares 4Q14

Source: Company reports and Laidlaw estimates

Specialty Pharmaceuticals
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Balance Sheet

Alimera Sciences
Balance sheet

($000's except per share)	2013A	1Q14A	2Q14A	3Q14A	2014A	2015E	2016E	2017E	2018E
ASSETS:									
Current assets									
Cash and cash equivalents	12,628	41,326	41,986	61,424	76,697	43,573	72,198	172,768	349,049
Total current assets	**18,638**	**46,459**	**47,535**	**67,298**	**83,269**	**50,573**	**79,448**	**181,268**	**359,049**
PP&E	982	959	1,123	1,042	1,653	1,500	1,750	1,750	2,000
Intangible Assets				24,951	24,490	25,000	25,000	25,000	25,000
Total Assets	**19,620**	**47,418**	**48,658**	**93,291**	**109,412**	**90,823**	**128,698**	**239,518**	**428,549**
LIABILITIES									
Total current liabilities	**4,949**	**4,462**	**4,215**	**31,986**	**10,475**	**16,298**	**12,375**	**14,175**	**17,760**
Total liabilities	**24,545**	**36,767**	**34,999**	**85,068**	**59,893**	**90,542**	**68,750**	**78,750**	**88,800**
Shareholders Equity									
Series A conv pref stock	32,045	32,045	27,238	19,227	19,227	19,227	19,227	19,227	19,227
Series B conv pref stock					49,568				
Common stock	316	380	403	443	443	443	443	443	443
Additional paid-in-capital	240,135	276,595	282,384	291,716	292,851	325,785	368,027	381,727	398,777
Common stock warrants	412	219	968	1,497	1,497	1,000	1,000	1,000	1,000
Accumulated deficit	(277,345)	(298,104)	(296,989)	(303,997)	(313,255)	(346,174)	(328,749)	(241,629)	(79,698)
Accumulated other loss	(488)	(484)	(345)	(663)	(812)				
Total shareholders' equity	**(4,925)**	**10,651**	**13,659**	**8,223**	**49,519**	**281**	**59,948**	**160,768**	**339,749**
Total liabilites & net worth	**19,620**	**47,418**	**48,658**	**93,291**	**109,412**	**90,823**	**128,698**	**239,518**	**428,549**

Source: Company reports and Laidlaw estimates

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Cash flow Statement

Alimera Sciences
Statement of cash flows

($000's except per share)	2013A	1Q14A	2Q14A	3Q14A	2014A	2015E	2016E	2017E	2018E
Operating Activities									
Net Income (Loss)	($46,229)	($20,759)	($19,643)	($26,652)	($35,910)	($32,919)	$17,425	$87,120	$161,931
Adjustments:									
Depreciation & amort	138	36	69	151	659	175	200	200	250
Inventory reserve	410								
Unrealized FOREX loss	(825)	56	202						
Amort deferred financing	159	42	94	261	466	100	100	100	100
Loss early debt extinguish	153		440	440	440				
Stock based comp expense	2,477	933	1,849	2,833	3,850	2,750	3,000	3,500	4,000
Change in derivative warrant liab	11,964	13,130	5,076	2,752	(283)				
Changes in assets and liabilites	(6,068)	344	1,715	4,607	5,935	(7,330)	1,500	1,000	(950)
Net cash from operations	**(37,821)**	**(6,218)**	**(10,198)**	**(15,151)**	**(24,301)**	**(37,224)**	**22,225**	**91,920**	**165,331**
Investing Activities									
Purchase of license intangible					(25,000)				
Purchase of equipment	(973)	(12)	(210)	(163)	(842)	(1,250)	(1,500)	(1,750)	(2,000)
Net cash from investing	**(973)**	**(12)**	**(210)**	**(163)**	**(25,842)**	**(1,250)**	**(1,500)**	**(1,750)**	**(2,000)**
Financing Activities									
Proceeds from stock options	72	287	334	709	774	350	400	400	450
Proceeds from common stock	53	37,500	37,543	37,543	37,598	5,000	7,500	10,000	12,500
Net cash from financing	**1,654**	**34,979**	**39,731**	**64,733**	**114,745**	**5,350**	**7,900**	**10,400**	**12,950**
FOREX impact	204	(51)	35	(623)	(533)				
Net change in cash	**(36,936)**	**28,698**	**29,358**	**48,796**	**64,069**	**(33,124)**	**28,625**	**100,570**	**176,281**
Cash at beginning of year	49,564	12,628	12,628	12,628	12,628	76,697	43,573	72,198	172,768
Cash at end of year	**12,628**	**41,326**	**41,986**	**61,424**	**76,697**	**43,573**	**72,198**	**172,768**	**349,049**

Source: Company reports and Laidlaw estimates

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DISCLOSURES:

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Additional information available upon request.

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RATINGS INFORMATION

Rating and Price Target Change History

3 Year Rating Change History

Date	Rating	Closing Price ($)
04/28/2015	Buy (B)	4.60*

3 Year Price Change History

Date	Target Price ($)	Closing Price, ($)
04/28/2015	12.00	4.60*

** Previous Close4/27/2015*

Source: Laidlaw & Company **Created by: Blue-Compass.net**

Laidlaw & Company Rating System*		% of Companies Under Coverage With This Rating	% of Companies for which Laidlaw & Company has performed services for in the last 12 months	
			Investment Banking	Brokerage
Strong Buy (SB)	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
Buy (B)	Expected to outperform the sector average over 12 months.	70.83%	29.17%	8.33%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	4.17%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

ADDITIONAL COMPANIES MENTIONED

Allergan (AGN-NR)
Novartis (NVS-NR)

QLT (QLTI-NR)
pSivida (PSDV-NR)

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