

Alimera Sciences (ALIM - \$4.47)

1Q15 In-Line, US Iluvien sales beat expectations

Alimera reported 1Q15 last night after the close, roughly in-line with our estimates based on a stronger than expected US launch of Iluvien balancing weaker than expected EU sales (primarily from Germany). Always a nice positive to see a product ramp better than expected in the US out of the gate, we model in Iluvien sales of \$23MM in 2015, growing to almost \$300MM by 2018 with an ~16% penetration of the anti-VEGF refractory US patient population. We are reiterating our Buy rating, \$12 price target.

- **Roughly in-line top & bottom line, strong US launch offsets weaker EU.** Revenues in line with expectations due to strong US launch offset by weak European sales of Iluvien. Top line revenue were \$3.9MM (US: \$2.4MM and ex-US: \$1.5MM), in-line with Laidlaw estimates of \$4.0MM. The strong US launch represents a significant positive considering the reimbursement challenges of not yet having a J-Code. EPS loss of (\$0.27) was also in-line with our estimates. Lower COGs due to significantly lower ex-US sales were offset by higher operating expenses associated with the addition of U.S medical sciences liaisons and the US Iluvien launch.
- **Novel long-acting treatment for refractory DME.** There are 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. See page 2 of this report for our sales projections for Iluvien.
- **Maintain 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.

Healthcare / Biotechnology

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

Trading Data:

Last Price (05/07/2015)	\$4.47
52-Week High (03/20/2015)	\$6.54
52-Week Low (05/01/2014)	\$4.12
Market Cap. (MM)	\$198.3
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	17.9x
FY15E	(\$0.27)A	(\$0.18)	(\$0.18)	(\$0.13)	(\$0.75)	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

Analyst

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Figure 1. Variance analysis

Alimera Sciences					
Quarterly variance analysis					
(000's except per share)	1Q14A	1Q15A	1Q15E	Variance	% Y/Y
Iluvien - US	\$0	\$2,438	\$1,590	\$848	NM
Iluvien - ex US	2,084	1,500	2,461	(\$961)	-28.0%
Total Revenue	\$2,084	\$3,938	\$4,052	(\$114)	89.0%
COGS	564	283	972	(\$689)	-49.8%
Gross Profit	1,520	3,655	3,079	\$576	140.5%
R&D Expense	2,626	3,329	3,250	\$79	26.8%
G&A Expense	2,927	4,191	4,250	(\$59)	43.2%
Sales & Marketing Exp	3,411	7,129	5,750	\$1,379	109.0%
Operating Inc (loss)	(7,444)	(10,994)	(10,171)	(\$823)	47.7%
Int. inc. (expense), net	(129)	(1,122)	(150)	(\$972)	769.8%
Pretax Income	(20,759)	(9,724)	(10,321)	\$597	-53.2%
Income Tax exp (benefit)	0	69	0	\$69	NM
Net income (loss)	(20,759)	(9,793)	(10,321)	\$528	-52.8%
1x items & non-cash exp	(13,186)	2,208	0	\$2,208	-116.7%
Adj NI ex-1x/non cash	(7,573)	(12,001)	0	(\$12,001)	58.5%
Weighted avg. shares (000)	35,853	44,348	45,296	(\$949)	23.7%
Fully diluted shares (000)	57,978	64,348	65,296	(\$949)	11.0%
EPS as reported	(\$0.58)	(\$0.22)	(\$0.23)	\$0.01	-61.9%
Adj EPS ex-1x & non-cash	(\$0.21)	(\$0.27)	(\$0.23)	(\$0.04)	28.1%

Source: Company Reports: Laidlaw & Company estimates

Figure 2. Iluvien Revenue 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: Company Reports: Laidlaw & Company estimates

Quarterly Income Statement

Alimera Sciences
 Quarterly income statement

(\$000 except per share)	2014A				2014A Year	2015E				2015E Year
	1QA	2QA	3QA	4QA		1QA	2QE	3QE	4QE	
Revenues										
Iluvien - US						\$2,438	\$4,771	\$6,759	\$10,099	\$23,220
Iluvian ex-US	\$2,084	\$2,190	\$2,408	\$1,741	\$8,423	1,500	2,685	3,580	4,475	13,202
Total Revenue	\$2,084	\$2,190	\$2,408	\$1,741	\$8,423	\$3,938	\$7,456	\$10,340	\$14,575	\$36,309
Expenses:										
Cost of Revenue (COGS)	564	376	372	130	1,442	283	1,790	2,481	3,498	8,052
Gross Margin	1,520	1,814	2,036	1,611	6,981	3,655	5,667	7,858	11,077	28,257
Research and development	2,626	1,809	3,941	2,987	11,363	3,329	3,500	3,750	4,500	15,079
General & administration	2,927	2,827	3,040	4,236	13,030	4,191	4,250	4,500	4,500	17,441
Sales & marketing	3,411	3,136	3,680	5,308	15,535	7,129	6,000	7,750	8,000	28,879
Total operating expenses	8,964	7,772	10,661	12,531	39,928	14,649	13,750	16,000	17,000	61,399
Income (loss) from Operations	(7,444)	(5,958)	(8,625)	(10,920)	(32,947)	(10,994)	(8,083)	(8,142)	(5,923)	(33,142)
Int inc (expense), other net	(129)	(325)	(408)	(1,228)	(2,090)	(1,122)	(150)	(150)	(150)	(1,572)
Income (loss) before taxes	(20,759)	1,185	(6,964)	(9,198)	(35,736)	(9,724)	(8,233)	(8,292)	(6,073)	(32,322)
Income tax exp (benefit)		69	45	60	174	69	-	-	-	69
Net Income (Loss)	(20,759)	1,116	(7,009)	(9,258)	(35,910)	(9,793)	(8,233)	(8,292)	(6,073)	(32,391)
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)	2,208				2,208
Adj NI less non cash & 1x items	(7,573)	(6,352)	(8,894)	(11,274)	(34,093)	(12,001)				(34,599)
EPS as reported	(\$0.58)	\$0.02	(\$0.17)	(\$0.23)	(\$0.91)	(\$0.22)	(\$0.18)	(\$0.18)	(\$0.13)	(\$0.71)
Adj EPS ex-1x & non-cash items	(\$0.21)	(\$0.16)	(\$0.22)	(\$0.25)	(\$0.84)	(\$0.27)				(\$0.75)
Weighted avg. shares (000)	35,853	40,276	41,063	44,296	40,397	44,348	45,348	46,348	47,348	45,848

Source: Company reports and Laidlaw estimates

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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	\$36,309	\$104,902	\$219,158	\$370,963	
Expenses:						
Cost of Revenue (COGS)	1,442	8,052	24,128	50,406	85,322	pSivida payments here
Gross Margin	6,981	28,257	80,775	168,752	285,642	
R&D	11,363	15,079	13,500	14,500	16,500	
General & administration	13,030	17,441	18,750	19,250	20,000	
Sales & marketing	15,535	28,879	30,500	36,250	37,750	50 reps for US launch
Total op exp	39,928	61,399	62,750	70,000	74,250	
Inc/(loss) from Ops	(32,947)	(33,142)	18,025	98,752	211,392	
Int income (exp), net	(2,090)	(1,572)	(600)	(600)	(600)	
Other expenses, net	-	-	-	-	-	
Inc/(loss) before taxes	(35,736)	(32,322)	17,425	98,152	210,792	
Income tax exp (benefit)	174	69	-	12,342	50,586	Substantial tax loss carryforwards
Net Income (Loss)	(\$35,910)	(\$32,391)	\$17,425	\$85,810	\$160,206	
1x items & non-cash exp	(1,817)	2,208	0	0	0	
Adj NI less non cash & 1x items	(\$34,093)	(\$34,599)	\$0	\$0	\$0	
Earning per Share	(\$0.91)	(\$0.71)	\$0.25	\$1.25	\$2.25	
Adj EPS ex-1x & non-cash items	(\$0.84)					
Weighted avg. shares (000)	40,397	45,848	48,598	50,598	53,598	
Fully diluted shares (000)	61,800	65,848	68,598	68,598	71,098	
Cash balance	\$76,697	\$44,101	\$72,725	\$171,985	\$346,541	\$50MM Deerfield Series B shares 4Q14

Source: Company reports and Laidlaw estimates

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Major Risks

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Date	Rating	Closing Price (\$)
04/28/2015	Buy (B)	4.61

Date	Target Price (\$)	Closing Price, (\$)
04/28/2015	12.00	4.61

Source: Laidlaw & Company

Created by: Blue-Compass.net

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			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.	72.00%	32.00%	8.00%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	4.00%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

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