

## Alimera Sciences (ALIM - \$1.29)

### Record 4Q16 Iluvien Sales as Familiarity Grows

ALIM reported their 4Q16 EPS yesterday with a top line beat as Iluvien sales of \$10.7M beat our estimated \$9.8M (and consensus: \$10.6M). As the medical community gains familiarity with the product and with the real-world data of lower incidence of Intraocular pressure (IOP) than in the clinical trials, both US and ex-US Iluvien are gaining momentum. This is especially encouraging, in our opinion, as ALIM must constantly deal with lack of quarterly pull through with a 3-year product. As 2016 was only Iluvien's first year with a J Code and new user base grew 30%-35%, we project continued momentum and ~\$60M in sales in 2017, albeit seasonality could again weigh on revenues. On top of Germany and Portugal leading the ex-US Iluvien sales and the UK rebounding in 4Q16, new launches in Ireland, Austria, and Italy should increase ex-US sales. Although primarily focusing on becoming cash flow break-even by late 2017, ALIM continues to have positive discussions with the FDA about expanding Iluvien's label in non-proliferative diabetic retinopathy or retinal vein occlusion. We continue to see ALIM as significantly undervalued and are reiterating our Buy rating and our \$10 price target.

- **Iluvien sales at record high, September uptick shows resilience.** As continued familiarity with Iluvien grows, both US and ex-US Iluvien sales combined for a 4Q16 top-line beat of \$10.7M vs. our estimated \$9.8M. This 84% growth vs. 4Q15 came as a result of increased US awareness combined with UK rebounding in 4Q16.
- **US sales trucking along, many channels for ex-US growth.** US-Iluvien sales of \$8.3M and ex-US of \$2.4M beat our estimated \$7.5M and \$2.3M, respectively. We are encouraged to learn that the Iluvien user base grew 30%-35% over 2016 and see launches in Austria, Ireland, and Italy as a nice positive for ex-US outlook in 2017.
- **Patience is starting to bear fruit and potential label expansion.** While turning cash flow positive in 2017 is their first priority, ALIM's interest in label expansion has been met with encouraging feedback from the FDA.
- **Reiterate Buy rating and \$10 PT.** Our \$10 price target is based on a sum-of-the-parts analysis, with US Iluvien sales valued at \$7.5/share, EU Iluvien sales valued at \$2/share, and cash and technology valued at \$0.50/share.

### Earnings Estimates: (per share)

(Sep)	1Q	2Q	3Q	4Q	FY	P/E
<b>FY17E</b>	(\$0.06)	(\$0.03)	\$0.00	\$0.01	(\$0.08)	NA
<b>FY16</b>	(\$0.21)	(\$0.15)	(\$0.14)	(\$0.09)	(\$0.57)	NA
<b>FY15</b>	(\$0.26)	(\$0.23)	(\$0.20)	(\$0.22)	(\$0.92)	NA
<b>FY14</b>	(\$0.21)	(\$0.16)	(\$0.22)	(\$0.25)	(\$0.83)	NA

Source: Laidlaw & Company estimates

Healthcare / Biotechnology

Ticker: **ALIM**  
Rating: **Buy**  
Price Target: **\$10.00**

### Trading Data:

Last Price (03/02/2017)	\$1.29
52-Week High (04/21/2016)	\$1.01
52-Week Low (07/22/2016)	\$5.15
Market Cap. (MM)	\$83.7
Shares Out. (MM)	64.86

### Analyst

Jim Molloy/Spec Pharma & Biotech  
(857) 317-5061  
jmolloy@laidlawltd.com

Francois Brisebois, MSc/Associate  
(857)317-5362  
fbrisebois@laidlawltd.com

FOR ANALYST CERTIFICATION AND DISCLOSURES, PLEASE SEE DISCLOSURES SECTION AT THE END OF THIS REPORT. This report has been prepared by Laidlaw & Co (UK), Ltd. 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 decision. All prices are those current at the end of the previous trading session unless otherwise indicated. Prices and consensus estimates are sourced from a reliable market source

Figure 1: Variance analysis

Alimera Sciences Variance analysis										
(000's except per share)	4Q15A	4Q16A	4Q16E	Variance	% Y/Y	FY15A	FY16A	FY16E	Variance	% Y/Y
Illuvien - US	\$3,923	\$8,300	\$7,503	\$797	111.6%	\$15,169	\$25,827	\$25,030	\$797	70.3%
Illuvien - ex US	1,900	2,377	2,282	95	25.1%	7,269	8,506	8,411	95	17.0%
<b>Total Revenue</b>	<b>\$5,823</b>	<b>\$10,677</b>	<b>\$9,785</b>	<b>\$892</b>	<b>83.4%</b>	<b>\$22,438</b>	<b>\$34,333</b>	<b>\$33,441</b>	<b>\$892</b>	<b>53.0%</b>
COGS	336	924	549	375	175.0%	1,317	2,344	1,919	425	78.0%
<b>Gross Profit</b>	<b>5,487</b>	<b>9,753</b>	<b>9,236</b>	<b>517</b>	<b>77.7%</b>	<b>21,121</b>	<b>31,989</b>	<b>31,522</b>	<b>467</b>	<b>51.5%</b>
R&D Expense	3,618	2,889	3,200	(311)	-20.1%	14,840	12,375	12,686	(311)	-16.6%
G&A Expense	3,719	4,184	3,750	434	12.5%	14,190	15,263	14,829	434	7.6%
Sales & Marketing Exp	7,087	7,360	7,500	(140)	3.9%	28,090	29,431	29,571	(140)	4.8%
<b>Operating Inc (loss)</b>	<b>(8,937)</b>	<b>(4,680)</b>	<b>(5,214)</b>	<b>534</b>	<b>-47.6%</b>	<b>(35,999)</b>	<b>(25,030)</b>	<b>(25,564)</b>	<b>534</b>	<b>-30.5%</b>
Int. inc. (expense), net	(1,103)	(1,336)	(1,250)	(86)	21.1%	(4,693)	(5,178)	(5,092)	(86)	10.3%
<b>Pretax Income</b>	<b>(10,040)</b>	<b>(6,016)</b>	<b>(6,464)</b>	<b>448</b>	<b>-40.1%</b>	<b>(40,692)</b>	<b>(30,208)</b>	<b>(30,656)</b>	<b>448</b>	<b>-25.8%</b>
Income Tax exp (benefit)	(25)	(88)	0	(88)	252.0%	130	(172)	84	(256)	-232.3%
<b>Adj NI ex-1x &amp; noncash</b>	<b>(10,015)</b>	<b>(5,928)</b>	<b>(6,464)</b>	<b>536</b>	<b>-40.8%</b>	<b>(40,822)</b>	<b>(30,204)</b>	<b>(30,740)</b>	<b>536</b>	<b>-26.0%</b>
1x items & non-cash exp	(698)				-100.0%	10,177				-100.0%
<b>EPS as reported</b>	<b>(10,713)</b>				<b>-100.0%</b>	<b>(30,645)</b>				<b>-100.0%</b>
Weighted avg. shares (000)	44,617	64,840	64,104	737	45.3%	44,450	52,802	52,575	226	18.8%
Fully diluted shares (000)	78,772	99,090	98,354	737	25.8%	76,615	86,715	86,531	184	13.2%
<b>Adj EPS ex-1x &amp; noncash</b>	<b>(\$0.22)</b>	<b>(\$0.09)</b>	<b>(\$0.10)</b>	<b>\$0.01</b>	<b>-59.3%</b>	<b>(\$0.92)</b>	<b>(\$0.57)</b>	<b>(\$0.58)</b>	<b>\$0.01</b>	<b>-37.7%</b>
<b>EPS as reported</b>	<b>(\$0.24)</b>	<b>(\$0.09)</b>			<b>-63.1%</b>	<b>(\$0.69)</b>	<b>(\$0.63)</b>			<b>-8.9%</b>

Source: Company Reports: Laidlaw &amp; Company estimates

Figure 2: Valuation

Sum-of-the-parts value		
Segment	Valuation (000's)	Per share value
Illuvien - US	\$723,408	\$7.5
Illuvien - EU	\$195,506	\$2.0
Net cash '17 & tech value	\$48,257	\$0.5
<b>SUM</b>	<b>\$967,171</b>	<b>\$10</b>
Shares out '17E (000)		99,215

Source: Company Reports: Laidlaw &amp; Company estimates

Figure 4: Quarterly Income Statement

Alimera Sciences										
Quarterly income statement										
(\$'000 except per share)	2015A				2015A Year	2016A				2016A Year
	1QA	2QA	3QA	4QA		1QA	2QA	3QA	4QA	
<b>Revenues</b>										
Iluvien - US	\$2,438	\$3,776	\$5,032	\$3,923	\$15,169	\$4,119	\$7,208	\$6,200	\$8,300	\$25,827
Iluvian ex-US	1,500	2,000	1,869	1,900	7,269	1,682	2,349	2,098	2,377	8,506
<b>Total Revenue</b>	<b>\$3,938</b>	<b>\$5,776</b>	<b>\$6,901</b>	<b>\$5,823</b>	<b>\$22,438</b>	<b>\$5,801</b>	<b>\$9,557</b>	<b>\$8,298</b>	<b>\$10,677</b>	<b>\$34,333</b>
<b>Expenses:</b>										
Cost of Revenue (COGS)	280	320	381	336	1,317	328	556	486	924	2,344
<b>Gross Margin</b>	<b>3,658</b>	<b>5,456</b>	<b>6,520</b>	<b>5,487</b>	<b>21,121</b>	<b>5,473</b>	<b>9,001</b>	<b>7,812</b>	<b>9,753</b>	<b>31,989</b>
Research and development	3,329	3,815	4,078	3,618	14,840	3,020	3,205	3,261	2,889	12,375
General & administration	3,619	3,821	3,031	3,719	14,190	3,395	4,039	3,645	4,184	15,263
Sales & marketing	7,129	6,925	6,949	7,087	28,090	7,109	7,510	7,452	7,360	29,431
Total operating expenses	14,077	14,561	14,058	14,424	57,120	13,524	14,754	14,358	14,433	57,069
<b>Income (loss) from Operations</b>	<b>(10,419)</b>	<b>(9,105)</b>	<b>(7,538)</b>	<b>(8,937)</b>	<b>(35,999)</b>	<b>(8,051)</b>	<b>(5,753)</b>	<b>(6,546)</b>	<b>(4,680)</b>	<b>(25,030)</b>
Int inc (expense), other net	(1,122)	(1,151)	(1,317)	(1,103)	(4,693)	(1,335)	(1,177)	(1,330)	(1,336)	(5,178)
<b>Income (loss) before taxes</b>	<b>(11,541)</b>	<b>(10,256)</b>	<b>(8,855)</b>	<b>(10,040)</b>	<b>(40,692)</b>	<b>(9,386)</b>	<b>(6,930)</b>	<b>(7,876)</b>	<b>(6,016)</b>	<b>(30,208)</b>
Income tax exp (benefit)	69	4	82	(25)	130	9	42	33	(88)	(172)
<b>Adjusted NI ex-1x &amp; noncash</b>	<b>(11,610)</b>	<b>(10,260)</b>	<b>(8,937)</b>	<b>(10,015)</b>	<b>(40,822)</b>	<b>(9,395)</b>	<b>(6,972)</b>	<b>(7,909)</b>	<b>(5,928)</b>	<b>(30,204)</b>
1x items & non-cash exp	1,817	1,664	7,394	(698)	10,177	(1,750)	114	(1,336)	178	(2,970)
<b>EPS as reported</b>	<b>(9,793)</b>	<b>(8,596)</b>	<b>(1,543)</b>	<b>(10,713)</b>	<b>(30,645)</b>	<b>(11,145)</b>	<b>(6,858)</b>	<b>(9,245)</b>	<b>(5,750)</b>	<b>(33,174)</b>
<b>Adjusted EPS ex-1x &amp; noncash</b>	<b>(\$0.26)</b>	<b>(\$0.23)</b>	<b>(\$0.20)</b>	<b>(\$0.22)</b>	<b>(\$0.92)</b>	<b>(\$0.21)</b>	<b>(\$0.15)</b>	<b>(\$0.14)</b>	<b>(\$0.09)</b>	<b>(\$0.57)</b>
<b>EPS as reported</b>	<b>(\$0.22)</b>	<b>(\$0.19)</b>	<b>(\$0.03)</b>	<b>(\$0.24)</b>	<b>(\$0.69)</b>	<b>(\$0.25)</b>	<b>(\$0.15)</b>	<b>(\$0.16)</b>	<b>(\$0.09)</b>	<b>(\$0.63)</b>
Weighted avg. shares (000)	44,348	44,397	44,436	44,617	44,450	45,006	45,088	56,104	64,840	52,802
Fully diluted shares (000)	75,841	76,003	75,844	78,772	76,615	78,522	78,627	90,622	99,090	86,715

Source: Company Reports: Laidlaw &amp; Company estimates

Figure 5: Annual Income Statement

Alimera Sciences							Comments
Annual income statement							
(\$000 except per share)	2015A	2016A	2017E	2018E	2019E	2020E	
<b>Revenues</b>							
Iluvien - US	15,169	25,827	42,495	104,953	187,507	254,625	US launch 1Q15
Iluvian ex-US	7,269	8,506	17,227	39,181	65,154	98,821	EU roll-out through 2016
<b>Total Revenue</b>	<b>\$22,438</b>	<b>\$34,333</b>	<b>\$59,723</b>	<b>\$144,133</b>	<b>\$252,661</b>	<b>\$353,446</b>	
<b>Expenses:</b>							
Cost of Revenue (COGS)	1,317	2,344	4,446	20,899	36,636	51,250	pSivida payments here
<b>Gross Margin</b>	<b>21,121</b>	<b>31,989</b>	<b>55,277</b>	<b>123,234</b>	<b>216,025</b>	<b>302,196</b>	
R&D	14,840	12,375	13,000	15,000	19,750	24,000	
General & administration	14,190	15,263	13,000	19,500	26,500	29,500	
Sales & marketing	28,090	29,431	29,250	30,150	42,000	60,000	50 reps for US launch
Total op exp	57,120	57,069	55,250	64,650	88,250	113,500	
<b>Inc/(loss) from Ops</b>	<b>(35,999)</b>	<b>(25,030)</b>	<b>27</b>	<b>58,584</b>	<b>127,775</b>	<b>188,696</b>	
Int income (exp), net	(4,693)	(5,178)	(5,000)	(5,000)	(5,000)	(5,000)	
Other expenses, net	(106)	(40)	-	-	-	-	
<b>Inc/(loss) before taxes</b>	<b>(40,692)</b>	<b>(30,208)</b>	<b>(4,973)</b>	<b>53,584</b>	<b>122,775</b>	<b>183,696</b>	
Income tax exp (benefit)	130	(172)	-	3,181	26,334	55,109	Substantial tax loss carryforwards
<b>Adjusted NI ex-1x &amp; noncash</b>	<b>(\$40,822)</b>	<b>(\$30,204)</b>	<b>(\$4,973)</b>	<b>\$50,403</b>	<b>\$96,441</b>	<b>\$128,587</b>	
1x items & non-cash exp	10,177	(2,970)	0	0	0	0	
<b>EPS as reported</b>	<b>(\$30,645)</b>	<b>(\$33,174)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Earning per Share</b>	<b>(\$0.92)</b>	<b>(\$0.57)</b>	<b>(\$0.08)</b>	<b>\$0.50</b>	<b>\$0.95</b>	<b>\$1.24</b>	
<b>Adj EPS ex-1x &amp; non-cash items</b>	<b>(\$0.69)</b>	<b>(\$0.63)</b>					
Weighted avg. shares (000)	44,450	52,802	65,465	66,590	68,040	69,890	
Fully diluted shares (000)	76,615	86,715	99,215	100,590	102,040	103,890	
Cash balance	\$31,075	\$30,979	\$23,257	\$79,210	\$179,053	\$315,344	18M share offering 3Q16

Source: Company Reports: Laidlaw &amp; Company estimates

## 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 assumptions.

## DISCLOSURES:

### ANALYST CERTIFICATION

The analyst responsible for the content of this report hereby certifies that the views expressed regarding the company or companies and their securities accurately represent his personal views and that no direct or indirect compensation is to be received by the analyst for any specific recommendation or views contained in this report. Neither the author of this report nor any member of his immediate family or household maintains a position in the securities mentioned in this report.

### EQUITY DISCLOSURES

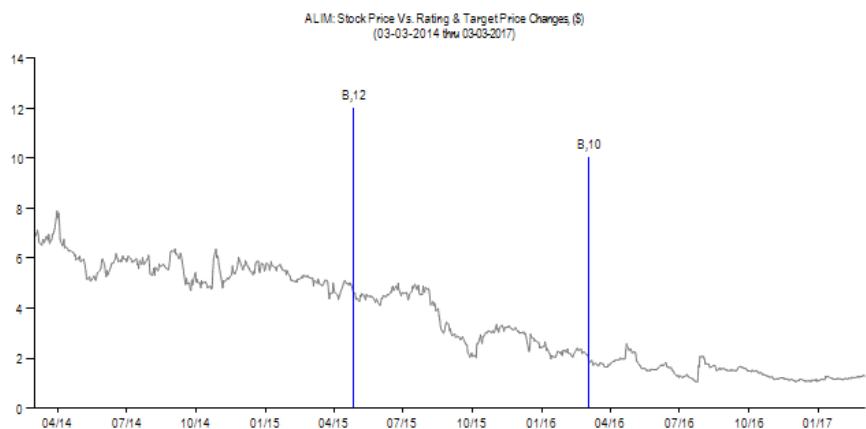
For the purpose of ratings distributions, regulatory rules require the firm to assign ratings to one of three rating categories (i.e. Strong Buy/Buy-Overweight, Hold, or Underweight/Sell) regardless of a firm's own rating categories. Although the firm's ratings of Buy/Overweight, Hold, or Underweight/Sell most closely correspond to Buy, Hold and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis against the analyst sector universe of stocks. An analyst's coverage sector is comprised of companies that are engaged in similar business or share similar operating characteristics as the subject company. The analysis sector universe is a sub-sector to the analyst's coverage sector, and is compiled to assist the analyst in determining relative valuations of subject companies. The composition of an analyst's sector universe is subject to change over time as various factors, including changing market conditions occur. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12-months relative to the analyst's sector universe.

*Additional information available upon request.*

# Laidlaw & Co (UK) Ltd. has not provided any investment banking services for the company (ies) mentioned in this report over the last 12 months.

### RATINGS INFORMATION

#### Rating and Price Target Change History



#### 3 Year Rating Change History

Date	Rating	Closing Price (\$)
04/28/2...	Buy (B)	4.61

#### 3 Year Price Change History

Date	Target Price (\$)	Closing Price, (\$)
04/28/2...	12.00	4.61
03/04/2...	10.00	1.85

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
<b>Strong Buy (SB)</b>	Expected to significantly outperform the sector over 12 months.	2.44%	2.44%	0.00%
<b>Buy (B)</b>	Expected to outperform the sector average over 12 months.	60.98%	26.83%	2.44%
<b>Hold (H)</b>	Expected returns to be in line with the sector average over 12 months.	2.44%	0.00%	0.00%
<b>Sell (S)</b>	Returns expected to significantly underperform the sector average over 12 months.	4.88%	0.00%	0.00%

### ADDITIONAL COMPANIES MENTIONED

### ADDITIONAL DISCLOSURES

As of the date of this report, neither the author of this report nor any member of his immediate family or household maintains an ownership position in the securities of the company (ies) mentioned in this report.

This report does not provide individually tailored investment advice and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Laidlaw & Co (UK), Ltd. recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate

in some or all of them. This report is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy.

Associated persons of Laidlaw & Co (UK), Ltd not involved in the preparation of this report may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned herein and may trade them in ways different from those discussed in this report. While Laidlaw & Co (UK), Ltd., prohibits analysts from receiving any compensation. Bonus or incentive based on specific recommendations for, or view of, a particular company, investors should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

With the exception of information regarding Laidlaw & Co (UK), Ltd. this report is based on public information. Laidlaw & Co (UK), Ltd makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete and it should not be relied upon as such. Any opinions expressed are subject to change and Laidlaw & Co (UK), Ltd disclaims any obligation to advise you of changes in opinions or information or any discontinuation of coverage of a subject company. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other Laidlaw & Co (UK), Ltd business areas. Laidlaw & Co (UK), Ltd associated persons conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Any trademarks and service marks contained in this report are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. This report or any portion thereof may not be reprinted, sold or redistributed without the written consent of Laidlaw & Co (UK), Ltd. This report is disseminated and available primarily electronically, and, in some cases, in printed form.

The information and opinions in this report were prepared by Laidlaw & Co (UK), Ltd. For important disclosures, please see Laidlaw & Co (UK), Ltd.'s disclosure website at [www.LaidlawLtd.com](http://www.LaidlawLtd.com), or contact your investment representative or Laidlaw & Co (UK), Ltd at 546 Fifth Ave, 5th Floor, New York, NY 10036 USA.

© 2017 Laidlaw & Co. (UK), Ltd.

**NOTES:**