

## Alimera Sciences (ALIM - \$1.52)

### Real-World Data Continues to Impress, Profitability Around the Corner

Yesterday after the close, ALIM announced that the UK's Medicines and Healthcare Products Regulatory Agency (MHRA) has officially allowed them to reduce the size of their ILUVIEN Registry Safety Study (IRISS). As a reminder, ALIM was originally asked to follow 800 Iluvien patients over 5 years and is now permitted to follow only 550 patients (enrolled by January 2017) due to positive real-world safety data and other positive post-marketing studies. While this comes as no surprise to us, we do view the news as a real positive since this could help the medical community, as well as patients, familiarize themselves with Iluvien's impressive safety/efficacy profile. We believe retinal specialists could increase the speed at which they transition patients from a short to a long acting steroid as more real world post-marketing data shows superiority vs. their FAME clinical trials. We still view ALIM's recent label expansion efforts (posterior uveitis) and transition from their profit sharing to royalty agreement as very favorable, especially as it relates to their ultimate profitability goal by year end. As profitability represents a key milestone for companies like ALIM, we see the stock as undervalued at these levels and reiterate our Buy rating and \$5 price target.

- **Real world data consistently impressive, IRISS cap lowered from n=800 to n=550.** As these post-marketing studies continue to impress, we believe the medical community will gain familiarity with Iluvien and potentially accelerate their transitioning process from short to long-acting steroids for DME.
- **Recent favorable deal with PSDV, profitability approaching in a hurry.** Although we didn't expect the conversion from profit sharing to royalty agreement, we see the deal as a real positive as profitability is becoming more achievable.
- **Maintain our Buy rating and our \$5 PT.** Our \$5 price target is based on a sum-of-the-parts analysis, with US Iluvien sales at \$3/share, EU Iluvien sales at \$1.5/share, and cash and technology at \$0.50/share.

#### Earnings Estimates: (per share)

	1Q	2Q	3Q	4Q	FY	P/E
<b>FY17E</b>	(\$0.10)A	(\$0.06)	(\$0.02)	\$0.01	(\$0.15)	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:	<b>ALIM</b>
Rating:	<b>Buy</b>
Price Target:	<b>\$5.00</b>

#### Trading Data:

Last Price (07/19/2017)	\$1.52
52-Week High (08/04/2016)	\$2.40
52-Week Low (07/22/2016)	\$1.01
Market Cap. (MM)	\$98.7
Shares Out. (MM)	64.9

#### Analyst

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Figure 1: Valuation

Sum-of-the-parts value		
Segment	Valuation (000's)	Per share value
Illuvien - US	\$278,199	\$3.0
Illuvien - EU	\$132,203	\$1.5
Net cash '18 & tech value	\$50,062	\$0.5
<b>SUM</b>	<b>\$460,464</b>	<b>\$5</b>
Shares out '18E (000)		100,363

Source: Company Reports: Laidlaw &amp; Company estimates

Figure 2: Quarterly Income Statement

Alimera Sciences										
Quarterly income statement										
(\$000 except per share)	2016A				2016A Year	2017E				2017E Year
	1QA	2QA	3QA	4QA		1QA	2QE	3QE	4QE	
<b>Revenues</b>										
Illuvien - US	\$4,119	\$7,208	\$6,200	\$8,300	\$25,827	\$4,400	\$7,198	\$8,725	\$9,815	\$30,138
Illuvian ex-US	1,682	2,349	2,098	2,377	8,506	2,200	3,492	4,656	5,820	16,168
<b>Total Revenue</b>	<b>\$5,801</b>	<b>\$9,557</b>	<b>\$8,298</b>	<b>\$10,677</b>	<b>\$34,333</b>	<b>\$6,618</b>	<b>\$10,690</b>	<b>\$13,381</b>	<b>\$15,635</b>	<b>\$46,324</b>
<b>Expenses:</b>										
Cost of Revenue (COGS)	328	556	486	924	2,344	587	553	335	391	1,866
<b>Gross Margin</b>	<b>5,473</b>	<b>9,001</b>	<b>7,812</b>	<b>9,753</b>	<b>31,989</b>	<b>6,031</b>	<b>10,136</b>	<b>13,046</b>	<b>15,244</b>	<b>44,458</b>
Research and development	3,020	3,205	3,261	2,889	12,375	2,110	2,150	2,150	2,150	8,560
General & administration	3,395	4,039	3,645	4,184	15,263	3,264	3,250	3,250	3,250	13,014
Sales & marketing	7,109	7,510	7,452	7,360	29,431	5,502	7,250	7,500	7,500	27,752
Total operating expenses	13,524	14,754	14,358	14,433	57,069	10,876	12,650	12,900	12,900	49,326
<b>Income (loss) from Operations</b>	<b>(8,051)</b>	<b>(5,753)</b>	<b>(6,546)</b>	<b>(4,680)</b>	<b>(25,030)</b>	<b>(4,845)</b>	<b>(2,514)</b>	<b>146</b>	<b>2,344</b>	<b>(4,868)</b>
Int inc (expense), other net	(1,335)	(1,177)	(1,330)	(1,336)	(5,178)	(1,337)	(1,250)	(1,250)	(1,250)	(5,087)
<b>Income (loss) before taxes</b>	<b>(9,386)</b>	<b>(6,930)</b>	<b>(7,876)</b>	<b>(6,016)</b>	<b>(30,208)</b>	<b>(6,182)</b>	<b>(3,764)</b>	<b>(1,104)</b>	<b>1,094</b>	<b>(9,955)</b>
Income tax exp (benefit)	9	42	33	(88)	(172)	26	-	-	-	26
<b>Adjusted NI ex-1x &amp; noncash</b>	<b>(9,395)</b>	<b>(6,972)</b>	<b>(7,909)</b>	<b>(5,928)</b>	<b>(30,204)</b>	<b>(6,208)</b>	<b>(3,764)</b>	<b>(1,104)</b>	<b>1,094</b>	<b>(9,981)</b>
1x items & non-cash exp	(1,750)	114	(1,336)	178	(2,970)	(527)				
<b>EPS as reported</b>	<b>(11,145)</b>	<b>(6,858)</b>	<b>(9,245)</b>	<b>(5,750)</b>	<b>(33,174)</b>	<b>(6,735)</b>				
<b>Adjusted EPS ex-1x &amp; noncash</b>	<b>(\$0.21)</b>	<b>(\$0.15)</b>	<b>(\$0.14)</b>	<b>(\$0.09)</b>	<b>(\$0.57)</b>	<b>(\$0.10)</b>	<b>(\$0.06)</b>	<b>(\$0.02)</b>	<b>\$0.01</b>	<b>(\$0.15)</b>
<b>EPS as reported</b>	<b>(\$0.25)</b>	<b>(\$0.15)</b>	<b>(\$0.16)</b>	<b>(\$0.09)</b>	<b>(\$0.63)</b>	<b>(\$0.10)</b>				
Weighted avg. shares (000)	45,006	45,088	56,104	64,840	52,802	64,863	65,113	65,363	65,613	65,238
Fully diluted shares (000)	78,522	78,627	90,622	99,090	86,715	98,613	98,863	99,113	99,363	98,988

Source: Company Reports: Laidlaw &amp; Company estimates

Figure 3: Annual Income Statement

Alimera Sciences Annual income statement							
(\$000 except per share)	2015A	2016A	2017E	2018E	2019E	2020E	Comments
<b>Revenues</b>							
Iluvien - US	15,169	25,827	30,138	36,724	54,043	96,178	US launch 1Q15
Iluvian ex-US	7,269	8,506	16,168	26,120	33,909	45,705	EU roll-out through 2016
<b>Total Revenue</b>	<b>\$22,438</b>	<b>\$34,333</b>	<b>\$46,324</b>	<b>\$62,844</b>	<b>\$87,952</b>	<b>\$141,882</b>	
<b>Expenses:</b>							
Cost of Revenue (COGS)	1,317	2,344	1,866	1,571	5,444	9,060	pSivida payments here
<b>Gross Margin</b>	<b>21,121</b>	<b>31,989</b>	<b>44,458</b>	<b>61,273</b>	<b>82,507</b>	<b>132,822</b>	
R&D	14,840	12,375	8,560	10,500	14,000	20,000	
General & administration	14,190	15,263	13,014	19,500	26,500	29,500	
Sales & marketing	28,090	29,431	27,752	30,150	42,000	60,000	50 reps for US launch
Total op exp	57,120	57,069	49,326	60,150	82,500	109,500	
<b>Inc/(loss) from Ops</b>	<b>(35,999)</b>	<b>(25,030)</b>	<b>(4,868)</b>	<b>1,123</b>	<b>7</b>	<b>23,322</b>	
Int income (exp), net	(4,693)	(5,178)	(5,087)	(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>(9,955)</b>	<b>(3,877)</b>	<b>(4,993)</b>	<b>18,322</b>	
Income tax exp (benefit)	130	(172)	26	27	(427)	5,497	Substantial tax loss carryforwards
<b>Adjusted NI ex-1x &amp; noncash</b>	<b>(\$40,822)</b>	<b>(\$30,204)</b>	<b>(\$9,981)</b>	<b>(\$3,904)</b>	<b>(\$4,565)</b>	<b>\$12,826</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>Adj EPS ex-1x &amp; non-cash items</b>	<b>(\$0.92)</b>	<b>(\$0.57)</b>	<b>(\$0.15)</b>	<b>(\$0.06)</b>	<b>(\$0.07)</b>	<b>\$0.12</b>	
<b>EPS as reported</b>	<b>(\$0.69)</b>	<b>(\$0.63)</b>					
Weighted avg. shares (000)	44,450	52,802	65,238	66,363	67,813	69,663	
Fully diluted shares (000)	76,615	86,715	98,988	100,363	101,813	103,663	

Source: Company Reports: Laidlaw &amp; Company estimates

## Major Risks

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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.

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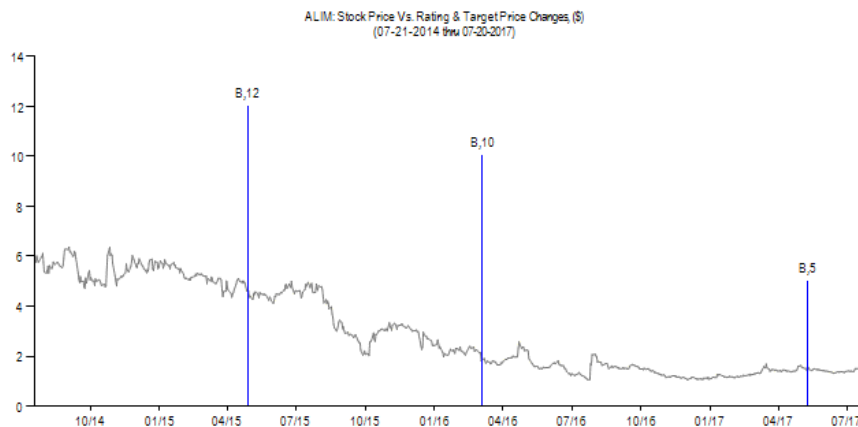
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*Additional information available upon request.*

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**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
05/10/2...	5.00	1.58

Source: Laidlaw & Company

Created by: Blue-Compass.net

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			Investment Banking	Brokerage
<b>Strong Buy (SB)</b>	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
<b>Buy (B)</b>	Expected to outperform the sector average over 12 months.	62.22%	31.11%	2.22%
<b>Hold (H)</b>	Expected returns to be in line with the sector average over 12 months.	4.44%	0.00%	0.00%
<b>Sell (S)</b>	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

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pSivida Corp. (PSDV – Not Rated)

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