

Imprimis Pharmaceuticals

Pharma & biotech
19 May 2015

Building revenue streams

Imprimis is poised to achieve meaningful revenue in 2015. In 2014 it increased capacity by acquiring two compounding pharmacies and thus increased sales of its ophthalmic products. 2015 has seen continued adoption of the Dropless Therapy cataract surgery injection and the acquisition of the exclusive licence to Hep-Lido-A (HLA), which sold 80k units last year. Revenue is likely to rise in 2015, with strong upside potential if targeted increases in market share are achieved.

Ophthalmology sales picking up steam

Imprimis is marketing a combination antibiotic and steroid intravitreal injection for cataract surgery. 50% of the 3.6m cataract surgeries in the US already use locally-mixed antibiotic injections, creating concern over mixing errors. Imprimis's product mitigates this concern, and the steroid and antibiotic mixture decreases the need for postoperative eye drops. A recent presentation at the American Academy of Ophthalmology reported that of the 2,300 patients treated only 2% required rescue drops and there were no reported significant side effects.

Reimbursement uncertainties can be overcome

Unfavourable economics for ophthalmic surgeons create uncertainty for Imprimis. The injection is part of the bundled fee for cataract surgery, shifting the cost to the physician. Still, 50% of surgeons use intraoperative injections with products in a similar reimbursement situation. Despite this issue, the company reports over 300 ophthalmologists prescribing 45,000 units since April 2014.

Exponential growth in urology expected

Last month Imprimis exercised its option for exclusive US rights to HLA from a licensing agreement with Urigen in 2014. Favourable licensing terms keep payments tied to sales. HLA is used to treat Interstitial Cystitis (IC), a 10m patient US market, and last year sold more than 80,000 units for \$5.5m, without active marketing.

Valuation: May not reflect market potential

The EV of \$75m compares to a market capitalisation of \$78m, with increased sales expected in 2015. In Q115 sales increased to \$1.5m. If consensus estimates are achieved, the EV/Sales drops to 5.6x for 2015e and 2.6x for 2016e. A loan agreement of up to \$15m was signed in Q115, ensuring short-term funding.

Consensus estimates

Year end	Revenue (\$m)	PBT (\$m)	EPS (\$)	DPS (\$)	P/E (x)	Yield (%)
12/13	0.0	(7.6)	(0.88)	0.00	N/A	N/A
12/14	1.6	(10.1)	(1.11)	0.00	N/A	N/A
12/15e	13.3	(7.0)	(0.72)	0.00	N/A	N/A
12/16e	28.8	0.4	0.04	0.00	N/A	N/A

Source: Bloomberg

Price **\$8.38**
Market cap **\$78m**

Share price graph



Share details

Code **IMMY**
 Listing **NASDAQ**
 Shares in issue **9.34m**

Business description

Imprimis is a pharmaceutical company focused on compounding specialty products for physicians. Products include an intraocular injectable steroid and antibiotic combination used at the conclusion of cataract surgery and an intravesical instillation product for the treatment of interstitial cystitis.

Bull

- Purchase of already-established HLA sales with large upside potential in 10m patient market.
- Only commercially available cataract surgery intraoperative injectable in 3.6m patient market.
- Pharmacy platform capable of adding future additional compounds efficiently.

Bear

- Still working on reimbursement for the ophthalmic products.
- Uncertain adoption of antibiotic and steroid injections at the time of surgery.
- Need to further build urology and ophthalmic salesforce.

Analysts

George Magrath, MD MBA +44 (0)20 3077 5700
 Dr Mick Cooper +44 (0)20 3077 5734

healthcare@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the Financial Conduct Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2015 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2015]. "FTSE(i)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.