Zacks Small-Cap Research

May 1, 2012
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POZEN, Inc. (POZN-NASDAQ)

POZN: PA NDA Delayed Approximately Six Months, But Is That Good News?

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	03/07/2007
Current Price (05/01/12)	$6.14
Target Price	**$7.00**

UPDATE

On May 1, 2012, Pozen reported financial results for the first quarter 2012. Pozen reported revenues in the first quarter of $1.3 million, driven entirely royalties on worldwide sales of Vimovo at AstraZeneca, which totaled $15.9 million. Net loss was $8.4 million, or 28 cents per share. Pozen exited the first quarter with $100.8 million in cash and investments.

Pozen shares took a high last week on news the PA NDA might be delayed while management assess what data is necessary to include a lower-dose (81mg) of aspirin with the NDA filing. We think this created a nice buying opportunity for long-term investors.

SUMMARY DATA

52-Week High	**$7.91**
52-Week Low	**$2.26**
One-Year Return (%)	**6.39**
Beta	**1.42**
Average Daily Volume (sh)	**728,875**
Shares Outstanding (mil)	**30**
Market Capitalization ($mil)	**$200**
Short Interest Ratio (days)	**3.91**
Institutional Ownership (%)	**44**
Insider Ownership (%)	**11**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**14.7**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2012 Estimate	**N/M**
P/E using 2013 Estimate	**N/A**

Risk Level	**Average**
Type of Stock	**Small-Growth**
Industry	**Med-Drugs**

ZACKS ESTIMATES

Revenue
(In millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	4.5 A	4.6 A	4.9 A	73.0 A	87.0 A
2012	1.3 A	1.4 E	1.6 E	16.6 E	20.9 E
2013					28.3 E
2014					30.0 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	-$0.19 A	-$0.21 A	-$0.24 A	$2.04 A	$1.40 A
2012	-$0.28 A	-$0.28 E	-$0.25 E	$0.27 E	-$0.53 E
2013					-$0.24 E
2014					-$0.21 E

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WHAT'S NEW

Recent Financials

On May 1, 2012, Pozen reported financial results for the first quarter 2012. Pozen reported revenues in the first quarter of $1.3 million, driven entirely royalties on worldwide sales of Vimovo at AstraZeneca, which totaled $15.9 million. Vimovo sales of $15.9 million ($8.4 million U.S. + $7.5 million RoW) were above our forecast at $14.0 million. To date, Vimovo has been approved in 50 countries and launched in 28. AstraZeneca received 5 country approvals on Vimovo in the last two months alone. Applications have been filed in a total of 71 countries. We expect several more countries to come online later this year. For 2012, we see Vimovo sales totaling $74 million, which should provide a net royalty to Pozen of nearly $6 million.

Pozen reported a net loss in the first quarter 2012 of $8.4 million, or $0.28 per share. This was slightly better than our model which estimated the net loss at $0.32 per share. Both SG&A and R&D were lower than expected. Pozen exited the first quarter ended March 31, 2012 with $100.8 million in cash and investments. We expect that Pozen will exit 2012 with $81.2 million in cash and investment. This estimate includes no upfront payment from a commercialization partnership on PA. Management has reiterated its goal to have a partnership in place before the end of the year. We think PA could command an upfront payment of $15 to $20 million.

INVESTMENT UPDATE

FDA Throws Pozen A Curve Ball

On April 26, 2012, Pozen filed an 8K updating investors on the status of the planned New Drug Application (NDA) for its PA-325/40 product. As a reminder, PA-325/40 is Pozen's fixed-dose "safer aspirin" product comprised of 325 mg enteric-coated aspirin and 40 mg omeprazole. Pozen recently successfully completed two parallel phase 3 trials in 1,049 patients with PA-325/40 demonstrating a statistically significant reduction in the cumulative incidence of gastric ulcers following administration of PA-325/40 vs. 325 mg enteric-coated aspirin over six months. The phase 3 trial also demonstrated a reduction in gastroduodenal ulceration as well as a reduction in discontinuation due to upper gastrointestinal adverse events in favor of PA-325/40 compared to 325 mg enteric-coated aspirin.

Following the release of the top-line data from the phase 3 program, Pozen met with the U.S. FDA to discuss the planned NDA filing. At that meeting, the FDA suggested that Pozen also seek approval for a lower dose formulation of the product containing 81 mg of enteric-coated aspirin as part of its NDA for PA-325/40. The FDA further notified Pozen that absent the availability of such a lower dose formulation in the market, if PA-325/40 is approved, the label indication may be limited to use in post coronary artery bypass graft surgery (CABG) with a treatment duration not to exceed one year.

...Still A Big Market, But Not Nearly As Big...

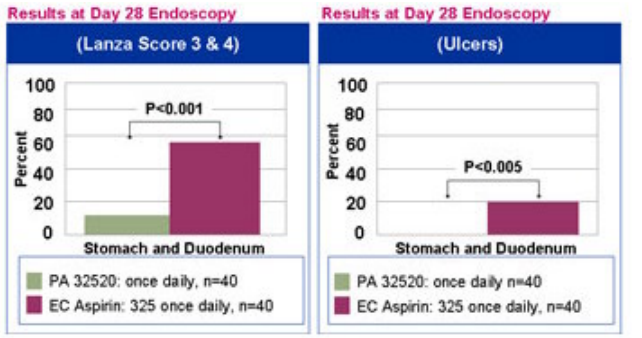
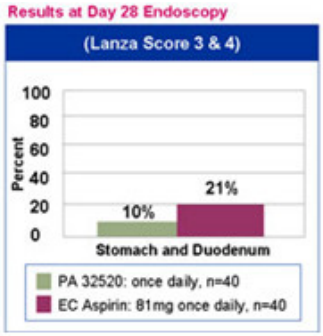
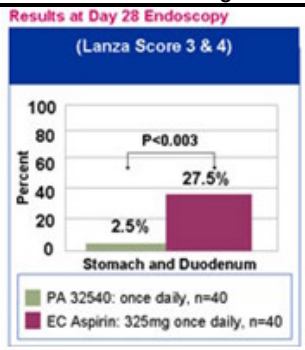
Pozen has previously told investors it planned to seek an indication for the secondary prevention of cardiovascular disease in patients at risk for gastric ulcers. This is potential huge reduction in the eligible patient population for PA-325/40. Over 50 million American's use daily aspirin therapy. Of the 50+ million Americans that take daily aspirin therapy, as many as 50% are at risk for major complications due to gastric bleeding. Roughly 25% of the people that start a daily aspirin therapy will discontinue or reduce frequency or dose due to serious gastrointestinal side-effects. The same less-than-optimal use is found in stroke patients. This would be a target patient population of 15 to 20 million Americans.

According to Health Data Interactive, there were approximately 415,000 CABG surgeries in the U.S. in 2009. The American Heart Association estimates approximately 1 million CABG procedures took place worldwide in 2011. There are an additional 650,000 people in the U.S. each year suffering from stroke. These patients are typically also on 325 mg aspirin. Pozen is looking at one-fifth of the potential target market if the FDA approves PA-325/40 with this narrower indication. But just to be clear, that's only if Pozen files for approval of PA-325/40 without also seeking approval of PA-81/40. We think it's highly unlikely Pozen ignores the FDA's request.

...What's All The Fuss...

Pozen believes that the FDA is concerned that, without a formulation containing a lower dose of aspirin, physicians will not have a full range of dosing options available to prescribe in accordance with current cardiovascular treatment guidelines, which recommend doses of 81 mg or 162 mg of aspirin for most indications. Of the 50+ million Americans that take daily aspirin therapy, about 65% are on 81 mg. We suspect the majority of these patients are taking this low "baby" aspirin dose due to the potential GI risk. Still, despite the AHA warnings on GI adverse events, approximately 21% of all patients taking daily 81 mg aspirin still develop gastric and duodenal Lanza 3 / 4 scores in as little as two weeks.

The company has generated clinical pharmacology data and chemical, manufacturing and controls (CMC) data for a product which contains 81 mg of enteric coated aspirin and 40 mg of omeprazole in a single tablet (PA-81/40). We note that safety data also exists with PA-81/20 mg from a phase 2 program (see below).

PA325/20 vs. 325mg ECA	PA325/20 vs. 81mg ECA	PA325/40 vs. 325mg ECA
		

Management intends to file this existing data, together with additional CMC data to be generated and evidence from the scientific literature relating to the ulcerogenic risk of 81 mg of aspirin as part of its NDA for PA-325/40. We note that Pozen does not intend to conduct a phase 3 clinical trials for PA-81/40. Management made this quite clear to us and to the FDA. Instead, the company anticipates that the data package submitted for PA-81/40 will be similar to that which was used to gain approval for a lower dosage formulation of Vimovo, a fixed-dose formulation of naproxen and esomeprazole, containing 375 mg of naproxen instead of the 500 mg naproxen studies in the company's two pivotal registration trials.

...A Slight Delay...

Pozen believes that generation of additional data with respect to PA-81/40 and incorporation of data into the NDA for PA-325/40 may delay submission of the NDA for approximately 6 months from the original planned submission date in the third quarter of 2012. However, we caution investors that this is management "best guess" as of today. As a result, we have moved the timing the NDA submission into the first quarter 2013 and delayed the launch of any PA program to the first quarter 2014 in our financial model.

Pozen is assessing what additional development activities with respect to PA-81/40 will be required and the costs thereof. As a reference, the phase 3 clinical trials with PA-325/40 began in November 2009 and offered top-line data in March 2012. We estimate the cost of the program was around $20 to $25 million. As noted above, management does not plan to conduct a phase 3 program on PA-81/40. However, if they change their mind, we think a phase 3 trial on PA-81/40 can be completed quicker than the 28 months for PA-325/40, as it would most likely not need to enroll over 1,000 patients in parallel form like PA-325/40. Costs would be significant less than the $20-25 million noted above.

The FDA will decide on the fate of the PA franchise after Pozen files the NDA. We note this isn't the first curveball the FDA has thrown Pozen with respect to PA-325/40. Earlier in 2012, the FDA requested that Pozen perform an additional phase 1 study to assess the bioequivalence of PA-325/40 to enteric-coated aspirin 325 mg with respect to acetylsalicylic acid (ASA). Pozen has previously conducted such a study with repeat to salicylic acid (SA). The company completed this study and believes that the results demonstrate bioequivalence between the two dosage forms. However, management plans to obtain the FDA's concurrence before the NDA submission.

...Partnership Implications...

On October 3, 2011, Pozen retained Keelin Reeds LLC to assist in the strategic partner search for PA. Keelin Reeds is a global expert in helping life science companies value assets, develop business development strategies and execute partnership transactions. Pozen believes it has added substantial value to the asset by executing the critical NDA development and pre-commercialization phases around PA. Management intends to secure a relationship with one or more strategic partners in order to maximize the sales potential of the drug in both the U.S. and globally. The ideal strategic partner for Pozen is one who embraces the company's philosophy of affordable pricing and shares management's vision for the brand.

Management's goal is to sign a commercialization partnership for PA this year – this was reiterated on the company's first quarter conference call. Management also noted on the call that they have been in discussion with several potential partners about the FDA's request for an application on PA-81/40. In management's view, the opportunity to gain approval for PA-81/40 is a positive. As noted above, 81 mg aspirin is 70% of the market. Will partners interpret this news the same way as Pozen (positive) or the market (negative)?

We previously believed that the deal would be superior to the Vimovo transaction with AstraZeneca that provided $40 million upfront, $45 million in approval milestones, and potentially $290 million in sales milestones plus roughly 10% royalties on sales. Now, we are unsure. It is possible that Pozen can still close a deal for PA later this year, but an asset that we previously viewed as very low risk - considering that both phase 3 programs were run under an SPA and the U.S. FDA has already approved Pozen's similar product in Vimovo - just got a little riskier.

There are essentially three outcomes after Pozen files the NDA:

1. The FDA approves PA-325/40 and PA-81/40 with a full label for secondary prevention of cardiovascular disease in patients at risk for gastric ulcers.
2. The FDA approves PA-325/40, only with a limited patient population of post coronary artery bypass graft surgery (CABG) with a treatment duration not to exceed one year.
3. The FDA rejects PA-325/40 with a complete response letter asking Pozen to conduct a separate phase 3 trial with PA-81/40 before any dose is approved.

Considering the FDA approved a lower dose Vimovo (375mg naproxen vs. 500mg naproxen) without a phase 3 program, there is clear precedent for Outcome #1 above. As a reminder, to gain approval for Vimovo, then called PN-500/20, Pozen ran 2 parallel phase 3 trials under and SPA in similar design (actually smaller at around 800 patients total) to the PA-325/40 trials. Pozen submitted additional bioequivalence, clinical pharmacology, and CMC data on PN-375/20 with the PN-500/20 NDA filing. The FDA approved both PN-500/20 and PN-375/20 after the first NDA filing. It could all happen again with PA.

However, we have not seen the additional clinical pharmacology and CMC data on PA-81/40 that Pozen plans to submit in the NDA. Prudence suggests we revise our model on Pozen to narrow the launch indication to incorporate Outcome #2. Outcome #3, at this point, seems unlikely.

…A Simple Concept…

PA is such a simple product concept. Over 50 million American's use daily aspirin therapy, with 50% of those patients at risk of developing major complications due to gastric bleeding. Roughly 25% of the people that start a daily aspirin therapy will discontinue or reduce frequency or dose due to serious gastrointestinal side-effects. Roughly 65% of the market is taking 81 mg "baby" aspirin, and we estimate that half of these patients are being under-dosed because of the potential GI toxicity. We believe that PA-325/40, at $1/day, is about a $250 million product, and that's with only 5% penetration. We think that PA-81/40, also at $1/day, essentially doubles the market opportunity to the company. We think this is easily achievable.

- 50 Million Americans on Aspirin
  - 25% at risk for GI bleeds
    - 10% convert to PA (penetration)
      - $1 per day x 365 days

- 50M x 25% x 10% x $365 = $450 Million Peak Sales Potential

We think a similar opportunity exists in Europe. Pozen is currently assessing what data is necessary for the MAA filing. Recent discussions with the EMEA suggest that Pozen may not need to conduct a pivotal phase 3 trial, only PK/PD work along with filing BE and CMC data at a 100 mg and 300 mg dose for PA. We note these are relatively inexpensive studies and Pozen could conduct these quick trials prior to partnering.

Below is a cartoon that first appeared in the New Yorker magazine we believe sums up the PA story nicely.



Source: The New Yorker

Valuation

We have previously written that we believe Pozen, pre a commercialization partnership on PA-325/40, is worth $7 per share. The stock traded briefly above $8 per share on April 26th, as investors clearly believe a partnership is near. With a narrowed indication to include only CABG patients, we think Pozen's stock is worth around $5-6 per share. Full approval of both PA-325/40 and PA-81/40 and Pozen is worth as much as $10 per share.

We believe Pozen can still close a deal on PA in 2012, but management will most likely have to give up some of the upfront payment in lieu of backend milestones contingent on sales levels and label expansion. Still however, we see the sales opportunity with PA-81/40 as doubling the market opportunity to Pozen's partner. Therefore, giving up some modest upfront payment in lieu of more sales related payments may be the smart thing to do. For now, we are maintaining our 'Outperform' rating on the shares and not adjusting our $7 target. Our DCF model is currently "in flux" – meaning we can justify virtually any price between $5 and $10 based on the final verdict of the FDA on the NDA filing.

- ⇨ Approval of PA-325/40 with limited indication to include CABG & Stroke patients only = Pozen is worth $5 per share.
- ⇨ Approval of PA-325/40 will full label to include secondary prevention, delay in approval of PA-81/40 while Pozen conducts additional analysis = Pozen is worth $7 per share.
- ⇨ Approval of both PA-325/40 and PA-81/40 to include the full label for secondary prevention of cardiovascular disease = Pozen worth $10 per share.
- ⇨ EU approval of PA-100/40 and/or PA-300/40 following comprehensive phase 3 program (MAA filing in 2015) = Pozen worth $11 per share.
- ⇨ EU approval of PA-100/40 and/or PA-300/40 following simple PK/PD + BE + CMC data (MAA filing in 2013) = Pozen worth $13 per share.

At this point, we are going to leave our target at $7 per share while we wait for improved visibility on both the timing and content of the U.S. NDA. A partnership later in 2012 remains the single biggest catalyst ahead. We think a partnership alone could send the shares above $10.

PROJECTED INCOME STATEMENT

Income statement:

	2010 A	2011 A	Q1 A	Q2 E	Q3 E	Q4 E	2012 E	2013 E	2014 E	2015 E
Treximet (royalty)	**$15.7**	**$12.2**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	*265.0%*	*-22.6%*	-	-	-	-	*-100.0%*	-	-	-
Vimovo (royalty)	**$0.5**	**$2.9**	**$1.3**	**$1.4**	**$1.6**	**$1.6**	**$5.9**	**$8.3**	**$11.2**	**$14.5**
YOY Growth	-	*533.0%*	-	-	-	-	*103.3%*	*39.9%*	*35.3%*	*29.5%*
PA Franchise (sales)	$0	$0	$0	$0	$0	$0	$0	$0	$75.0	$125.0
PA-Franchise (royalty)	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$18.8**	**$31.3**
YOY Growth	-	-	-	-	-	-	-	-	-	*66.7%*
Licensing / Development	**$52.3**	**$71.9**	**$0**	**$0**	**$0**	**$15.0**	**$15.0**	**$20.0**	**$0**	**$0**
YOY Growth	*87.6%*	-	-	-	-	-	-	-	-	-
Total Revenues	$68.5	$87.0	$1.3	$1.4	$1.6	$16.6	$20.9	$28.3	$30.0	$45.8
YOY Growth	*113.0%*	*26.8%*	*-70.3%*	*-95.0%*	*-97.7%*	*272.1%*	*-75.9%*	*35.2%*	*5.9%*	*52.8%*
Cost of Goods Sold	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin	*100.0%*	*100.0%*	-	-	-	-	*100.0%*	*100.0%*	*100.0%*	*100.0%*
SG&A	$23.8	$21.8	$5.6	$6.0	$5.2	$5.0	$21.8	$21.0	$22.0	$22.5
% SG&A	*34.7%*	*25.0%*	*438.2%*	*416.7%*	*325.0%*	*30.1%*	*104.4%*	*74.3%*	*73.5%*	*49.2%*
R&D	$22.6	$23.0	$4.1	$4.0	$4.0	$3.4	$15.5	$15.0	$15.0	$15.0
% R&D	*6+.%*	*26.5%*	*318.4%*	*277.8%*	*250.0%*	*20.5%*	*74.1%*	*53.0%*	*50.1%*	*32.8%*
Operating Income	$22.1	$42.2	($8.5)	($8.6)	($7.6)	$8.2	($16.4)	($7.7)	($7.1)	$8.3
Operating Margin	*32.3%*	*48.5%*	*-656.6%*	*-594.4%*	*-475.0%*	*49.4%*	*-78.5%*	*-27.3%*	*-23.5%*	*18.0%*
Interest Income / Net	$0.9	$0.2	$0.1	$0.1	$0.1	$0.1	$0.4	$0.5	$0.5	$0.5
Pre-Tax Income	$23.1	$42.3	($8.4)	($8.5)	($7.5)	$8.3	($16.1)	($7.2)	$6.6	$8.8
Taxes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	$23.1	$42.3	($8.4)	($8.5)	($7.5)	$8.3	($16.1)	($7.2)	($6.6)	$8.8
YOY Growth	-	*83.5%*	-	-	-	-	*-137.9%*	*-55.1%*	*-9.3%*	*-233.6%*
Net Margin	*33.7%*	*48.7%*	*-651.3%*	*-587.5%*	*-468.8%*	*50.0%*	*-76.8%*	*-25.5%*	*-21.9%*	*19.1%*
Reported EPS	$0.76	$1.40	($0.28)	($0.28)	($0.25)	$0.27	($0.53)	($0.24)	($0.21)	$0.27
Fully Diluted Shares	30.2	30.3	30.0	30.1	30.2	30.3	30.1	30.5	31.0	32.0

Source: Zacks Investment Research, Inc. *Jason Napodano, CFA*

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DCF Model:

POZEN, INC.	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Royalties on Treximet (~18%)	$12.2	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
YoY	*3%*	*-100%*	-	-	-	-	-	-	-	-	-	-
Royalties on Vimovo (~10%)	$3.4	$5.9	$8.3	$11.2	$14.5	$17.5	$20.0	$21.5	$22.5	$23.0	$22.0	$20.0
YoY	*3%*	*75%*	*40%*	*35%*	*29%*	*21%*	*14%*	*8%*	*5%*	*2%*	*-4%*	*-9%*
Royalties on PA (~25%)	$0	$0	$0.0	$18.8	$31.3	$46.3	$62.5	$75.0	$81.3	$87.5	$75.0	$62.5
YoY	-	-	-	-	*67%*	*48%*	*35%*	*20%*	*8%*	*8%*	*-14%*	*-17%*
Licensing & Collaborative	$72.5	$15.0	$20.0	$0	$0	$5.0	$0	$10.0	$0	$10.0	$0	$0
Revenues (in Millions)	**$88.0**	**$20.9**	**$28.3**	**$30.0**	**$45.8**	**$68.8**	**$82.5**	**$106.5**	**$103.8**	**$120.5**	**$97.0**	**$82.5**
CoGS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
R&D	$23.0	$15.5	$15.0	$15.0	$15.0	$15.0	$15.0	$15.0	$15.0	$15.0	$15.0	$15.0
SG&A	$21.8	$21.8	$21.0	$22.0	$22.5	$22.5	$22.5	$22.5	$22.5	$22.5	$22.5	$22.5
EBITDA	$43.3	($16.4)	($7.7)	($7.1)	$8.3	$31.3	$45.0	$69.0	$66.3	$83.0	$59.5	$45.0
Depreciation and amortization	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8
EBIT	**$42.5**	**($17.2)**	**($8.5)**	**($7.9)**	**$7.5**	**$30.5**	**$44.2**	**$68.2**	**$65.5**	**$82.2**	**$58.7**	**$44.2**
EBITDA margin	*48.2%*	*-82.4%*	*-30.1%*	*-26.2%*	*16.3%*	*44.3%*	*53.6%*	*64.0%*	*63.1%*	*68.2%*	*60.5%*	*53.6%*
Cash Taxes	$0	$0	$0	$0	$0	$0	($2.2)	($10.2)	($19.6)	($24.7)	($17.6)	($13.3)
Tax Rate	-	-	*0%*	*0%*	*0%*	*0%*	*5.0%*	*15%*	*30%*	*30%*	*30%*	*30%*
Balance Sheet												
Capital Expenditures	($0.5)	($0.5)	($0.5)	($0.5)	($0.5)	($0.5)	($0.5)	($0.5)	($0.5)	($0.5)	($0.5)	($0.5)
Working Capital	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0
Other Expense	$3.0	$3.2	$3.4	$3.6	$3.8	$4.0	$4.2	$4.4	$4.6	$4.8	$5.0	$5.2
Captial Adjustments	**$3.5**	**$3.7**	**$3.9**	**$4.1**	**$4.3**	**$4.5**	**$4.7**	**$4.9**	**$5.1**	**$5.3**	**$5.5**	**$5.7**
Net Margin	*48.2%*	*-82.4%*	*-30.1%*	*-26.2%*	*16.3%*	*44.3%*	*50.9%*	*54.4%*	*44.2%*	*47.8%*	*42.4%*	*37.5%*
Discounted Cash Flow												
Net Income	$42.5	($17.2)	($8.5)	($7.9)	$7.5	$30.5	$42.0	$58.0	$45.8	$57.5	$41.1	$30.9
Depreciation and amortization	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8
Net Cash Changes	$3.5	$3.7	$3.9	$4.1	$4.3	$4.5	$4.7	$4.9	$5.1	$5.3	$5.5	$5.7
Post-Tax Operating Cash Flow	**$46.8**	**($12.7)**	**($3.8)**	**($3.0)**	**$12.6**	**$35.8**	**$47.5**	**$63.7**	**$51.7**	**$63.6**	**$47.4**	**$37.4**
Dividends	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Free Cash Flow	**$46.8**	**($12.7)**	**($3.8)**	**($3.0)**	**$12.6**	**$35.8**	**$47.5**	**$63.7**	**$51.7**	**$63.6**	**$47.4**	**$37.4**

Assumptions	
Beta:	1.4
Equity Risk Premium:	7.0%
Risk Free Rate:	2.0%
Risk Adjustment:	50.0%
Discount Rate:	**12.5%**

Valuation	
10-Year Model:	$130
Terminal Growth:	1%
Terminal Value:	$90
Cash - Debt:	$101
Firm Value:	**$321**

Price Target	
Basic Outstanding:	30.0
Warrants / Options:	0.5
Dilution:	1.0
Fully Diluted:	31.5
Target Price:	**$10.18**

Source: Zacks Investment Research, Inc. *Jason Napodano, CFA*

HISTORICAL ZACKS RECOMMENDATIONS



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