Zacks Small-Cap Research

October 13, 2017
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Antares Pharma, Inc. (ATRS - NASDAQ)

One-line FDA Letter Creates Uncertainty

Based on our DCF model and a 15% discount rate, ATRS is valued at approximately $3.75 per share. Our model applies a range of probabilities for development projects seeking ANDA and sANDA approval and eventual commercialization.

Current Price (10/13/2017)	$2.37
Valuation	**$3.75**

OUTLOOK

Antares Pharma is a specialty pharmaceutical company that develops and commercializes self-administered parenteral pharmaceutical products and technologies. The company has developed strategic alliances with several leading pharmaceutical companies using Antares' drug delivery systems to enhance their partners' drug compounds and delivery methods.

ATRS develops and manufactures novel, pressure-assisted injectors, with and without needles, which allow patients to self-inject branded and generic pharmaceutical products. Currently, Antares has seven injectors that are either marketed or in development.

At the current price, we view Antares shares as undervalued, with appreciation potential given the growth expected in current products and near-term launch of several others. We believe that continued achievement of their milestones and expansion of their relationship with Teva and AMAG can provide additional upside to our valuation.

SUMMARY DATA

52-Week High	**4.09**
52-Week Low	**1.41**
One-Year Return (%)	**37.0**
Beta	**0.27**
Average Daily Volume (sh)	**1,442,215**
Shares Outstanding (mil)	**156.4**
Market Capitalization ($mil)	**370.7**
Short Interest Ratio (days)	**6.8**
Institutional Ownership (%)	**37.0**
Insider Ownership (%)	**9.39**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**26.0**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2017 Estimate	**N/A**
P/E using 2018 Estimate	**72.2**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of US$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	$12.3 A	$12.2 A	$13.5 A	$14.2 A	$52.2 A
2017	$12.0 A	$13.4 A	$14.3 E	$14.4 A	$54.1 E
2018					$98.2 E
2019					$177.8 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	-$0.05 A	-$0.04 A	-$0.04 A	-$0.03 A	-$0.16 A
2017	-$0.03 A	-$0.02 A	-$0.04 E	-$0.05 E	-$0.14 E
2018					$0.04 E
2019					$0.39 E

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What's New

FDA Submits Letter to Antares

On October 11, 2017, Antares (NASDAQ: ATRS) received a one-sentence letter from the FDA that identified "deficiencies" in the New Drug Application (NDA) for Xyosted. Antares was in labeling and postmarketing discussions with the agency prior to the receipt of the letter and was expecting a favorable response by the October 20, 2017 PDUFA date. We note that the letter delivered was not a Complete Response Letter (CRL), which is issued when a product cannot be approved in its current form. It is rare for the FDA to issue a letter other than a CRL or approval close to the PDUFA date.

We expect the FDA to provide additional information clarifying the deficiencies it has cited by the PDUFA data. It is difficult to speculate what the impact of the letter will be or what it means given the limited information provided. With a range of possibilities that could span from the FDA needing more time to review the NDA, to the foreshadowing of a CRL or another unknown issue. Based on the severe reaction of the stock today, it appears that the market is estimating a worst case scenario. We remind investors that Antares has a portfolio of eight current and in-development products that will continue independent of an impact to Xyosted.

At this time it is too early to quantify the outcome of the FDA letter, however, if a CRL is issued, and we estimate a one year delay to the launch of Xyosted, this reduces our target price by about 20 cents. A two year delay would have a 30c negative impact. Additionally, our conservative valuation parameters assume a 65% probability of approval.

Based on the uncertainty of the significance of the FDA's letter, we do not change our target price at this time. We do note the minimal impact on target price if there is a one or two year delay to the launch of Xyosted and highlight that the initial market reaction appears to be excessive based on the information available. We anticipate that when the PDUFA date arrives next week that the FDA will provide additional clarity and we will adjust our price target accordingly.

We also highlight the sale of Zomajet to Ferring Pharmaceuticals for up to $14.5 million in a relationship that has continued since 2003. Antares has manufactured, through its partner Minnesota Rubber and Plastics, needle-free injector devices for Ferring and JCR to distribute in more than 30 countries. Revenues for the business line were $5.5 million in 2016, and we believe they carry margins in line with the corporate average. Sales in this segment were down 7% in the first half of 2017 from 1H:16 levels. As discussed in the release, revenues from the Zomajet line are anticipated to continue until year end 2018, however, the first payment of $2 million has already been received by Antares. This is a positive transaction in our opinion as it eliminates a non-core business from the portfolio and provides capital to grow new products.

We continue to support our $3.75 price target due to our probability adjusted valuation for Xyosted, the limited impact on target price even with a two year delay and the broad portfolio of other products that Antares holds.

PROJECTED FINANCIALS

Antares Pharma, Inc. - Income Statement

Antares Pharma, Inc.	2016 A	Q1 A	Q2 A	Q3 E	Q4 E	2017 E	2018 E	2019 E
Total Revenues	**$52,222**	**$12,007**	**$13,416**	**$14,258**	**$14,380**	**$54,061**	**$98,177**	**$177,820**
Cost of Product Sales	$23,909	$5,448	$3,633	$5,977	$6,016	$21,074	$39,654	$62,471
Cost of Development Revenue	$4,908	$771	$1,983	$1,161	$1,210	$5,126	$2,640	$1,760
Gross Profit	$23,405	$5,788	$7,800	$7,120	$7,154	$27,862	$55,883	$113,589
Product Gross Margin	*44.8%*	*48.2%*	*58.1%*	*49.9%*	*49.8%*	*51.5%*	*56.9%*	*64.9%*
R&D	$21,127	$3,086	$3,160	$2,500	$2,500	$11,246	$10,000	$10,000
SG&A	$26,395	$7,467	$7,360	$11,000	$12,000	$37,827	$38,962	$40,131
Other expenses	$0	$0	$0	$0	$0	$0	$0	$0
Operating Income	($24,116)	($4,766)	($2,720)	($6,380)	($7,346)	($21,211)	$6,921	$63,458
Operating Margin	*-46.2%*	*-39.7%*	*-20.3%*	*-44.7%*	*-51.1%*	*-39.2%*	*7.0%*	*35.7%*
Total Other Income	($122)	$30	($120)	$0	$0	($90)	$0	$0
Pre-Tax Income	($24,239)	($4,736)	($2,840)	($6,380)	($7,346)	($21,301)	$6,921	$63,458
Taxes & Other	$100	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($24,339)	($4,736)	($2,840)	($6,380)	($7,346)	($21,301)	$6,921	$63,458
Reported EPS	**($0.16)**	**($0.03)**	**($0.02)**	**($0.04)**	**($0.05)**	**($0.14)**	**$0.04**	**$0.39**
Shares Outstanding	154,992.1	155,215.0	155,926.1	156,877.3	157,834.3	156,463.2	159,123.1	161,828.2

Source: Company Filing // Zacks Investment Research, Inc. Estimates

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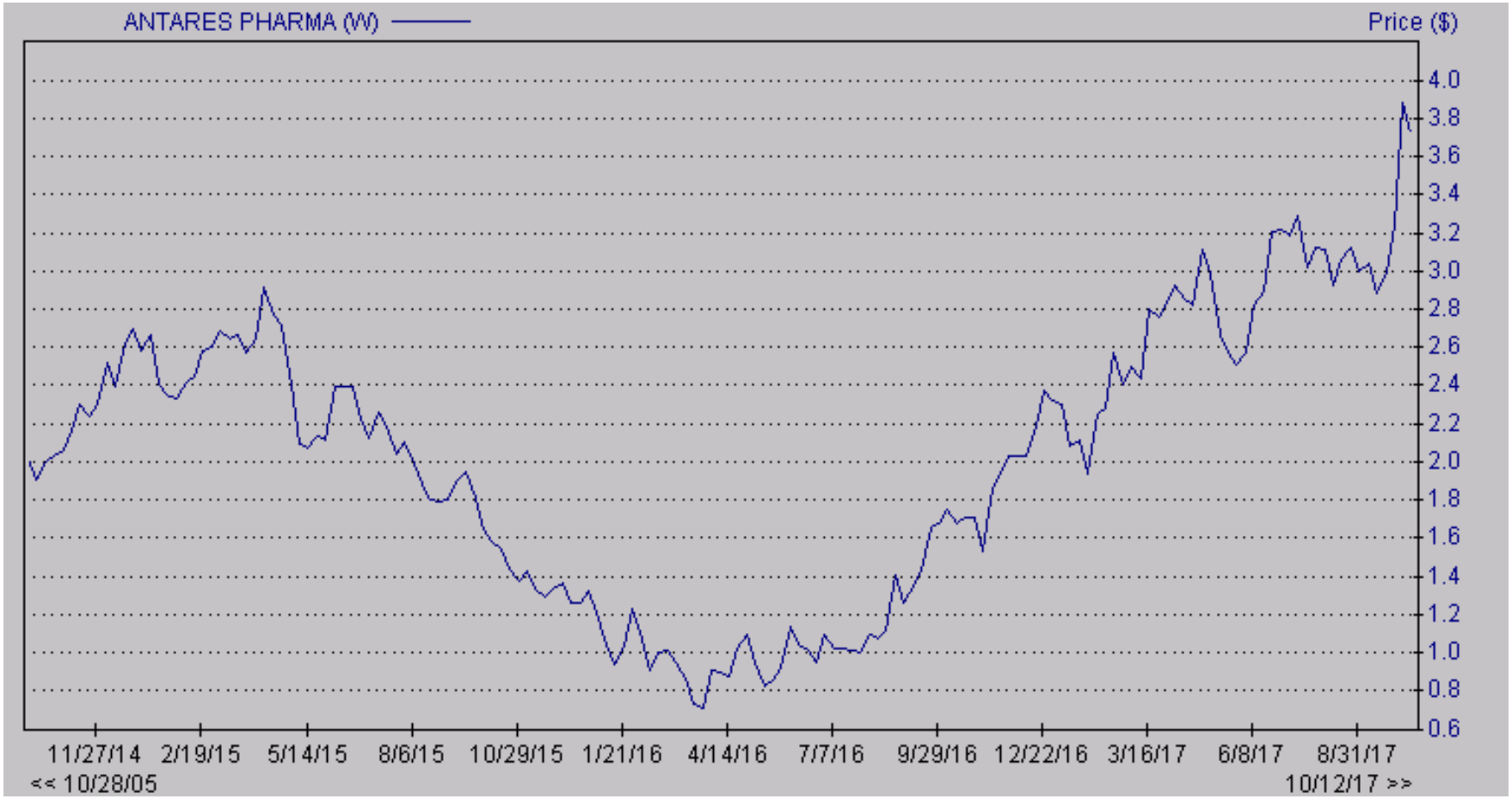
HISTORICAL STOCK PRICE



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