Zacks Small-Cap Research

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Antares Pharma, Inc. (ATRS - NASDAQ)

Xyosted Launch Before Year End

Based on our DCF model and a 15% discount rate, ATRS is valued at approximately $5.00 per share. Our model applies a range of probabilities for development projects seeking ANDA and sANDA approval and eventual commercialization.

Current Price (11/6/2018)	$3.61
Valuation	**$5.00**

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. Antares has eight injectors that are either marketed or in development internally or with partners including AMAG, Teva and Pfizer.

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	**3.93**
52-Week Low	**1.58**
One-Year Return (%)	**91.0**
Beta	**0.26**
Average Daily Volume (sh)	**1,841,890**
Shares Outstanding (mil)	**157.4**
Market Capitalization ($mil)	**568.3**
Short Interest Ratio (days)	**4.01**
Institutional Ownership (%)	**39.2**
Insider Ownership (%)	**7.7**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**19.3**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2018 Estimate	**N/A**
P/E using 2019 Estimate	**17.2**
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)
2017	$12.0 A	$13.4 A	$15.1 A	$14.0 A	$54.5 A
2018	$12.7 A	$14.2 A	$17.4 A	$18.9 E	$63.2 E
2019					$146.9 E
2020					$241.4 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-$0.03 A	-$0.02 A	-$0.03 A	-$0.02 A	-$0.11 A
2018	-$0.04 A	-$0.03 A	-$0.01 A	-$0.01 E	-$0.09 E
2019					$0.21 E
2020					$0.60 E

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What's New

Antares Pharma, Inc. (NASDAQ: ATRS) reported third quarter results on November 6th posting revenue growth of 19% and achieving a quarterly sales record for the company. Earnings loss was limited to a penny. Highlights for the quarter and quarter to date include FDA approval of Xyosted, FDA approval generic epinephrine pen and a new partnership with Pfizer (NYSE: PFE). Strong sales of Makena at partner AMAG (NASDAQ: AMAG) and optimism over a 2018 start to Xyosted sales were offset by weaker than expected sales for Otrexup and Sumatriptan. Management also provided guidance for 2018 for revenues in the range of $60 to $65 million.

3Q:18 Operational and Financial Results

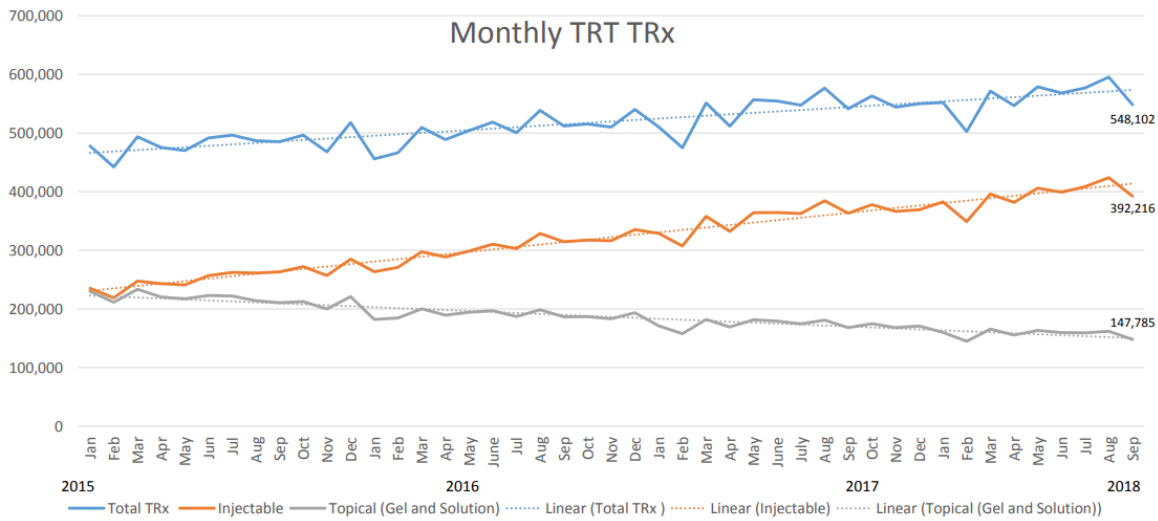
Antares Pharma, Inc. (NASDAQ: ATRS) posted third quarter 2018 revenues of $17.9 million, representing 19% growth compared to prior year results of $15.1 million. This compares to our estimates of $17.4 million. Greater Makena royalty and development revenue contributed to the beat, with lower Otrexup and sumatriptan sales partially offsetting this result. Development revenue included a $2 million milestone payment from Teva related to the FDA approval of the epinephrine pen. Overall expenses of $19.2 million were lower than our estimates of $19.7 million. Higher than expected S&GA was more than offset by lower R&D and lower cost of goods sold as a result of a greater proportion of higher margin royalty and development revenue.

R&D rose by 10% and SG&A was up 2% for the quarter on a year over year basis. Higher R&D was related to potential pipeline products, including the Pfizer neurology rescue pen. An increase in stock compensation expense also contributed to the increase in operating expenditures.

As of September 30, 2018, Antares held $28.2 million in cash on its balance sheet, sequentially down from $28.8 million. Cash burn of ($0.6) million in the third quarter and ($11.0) million year to date compare to cash burn of ($5.3) million and ($16.4) million respectively. Cash levels have been materially assisted in 2018 by the $2 million milestone from Teva and the $7.5 million from the ZomaJet sale.

As we reach the end of the year, Antares' attention is increasingly turning towards Xyosted. With the late September approval of the injector, management is now focused on training and building the sales team. The promulgated timeline calls for adding 60 sales representatives starting in November 2018. The team that has been identified has experience commercializing testosterone replacement therapy (TRT), urology and new product launches. Additionally, the current Otrexup sales force will be cross trained on Xyosted, enhancing the reach of the sales efforts. Training will start in the first weeks of December and first deliveries and associated revenue recognition before year end. The TRT market is large and growing, especially for injectables. The annualized run rate for September 2018 was 6.6 million scripts annually and our forecasts call for an initial 1 – 2% penetration in this market in the first year.

Exhibit I – Sales Trends for TRT Market[1]



[1] Symphony Health Solutions: Phast IDV – Total 2017 TRx's 6.5M

10,000 physicians in primary care and urology specialties have been identified as potential high volume prescribers and will be the target providers for the sales force. In the back office, a comprehensive patient support program is being developed which will provide co-pay assistance to commercially insured patients, and benefits investigation and prior authorization support for physicians. Using a discounted pricing approach to gain market share, pricing will be targeted at a $475 per month WAC, which is a discount to the $615 per month WAC for Androgel and the $559 per month generic gel WAC.

Summary

Despite a CRL last year, Antares was able to persevere and obtain FDA approval for Xyosted. Partner Teva also obtained approval for a fully substitutable generic epinephrine pen which, along with Xyosted should see first sales prior to year end 2018. Other pipeline programs continue to advance and a new partnership was announced with Pfizer for an injectible product in the neurology space. We anticipate an acceleration of revenues in 2019 as sales of Xyosted and epinephrine pen are layered on top of existing strong products. We maintain our target price of $5.00 with additional increases dependent on execution of the Xyosted launch and trends in other portfolio products.

PROJECTED FINANCIALS

Antares Pharma, Inc. - Income Statement

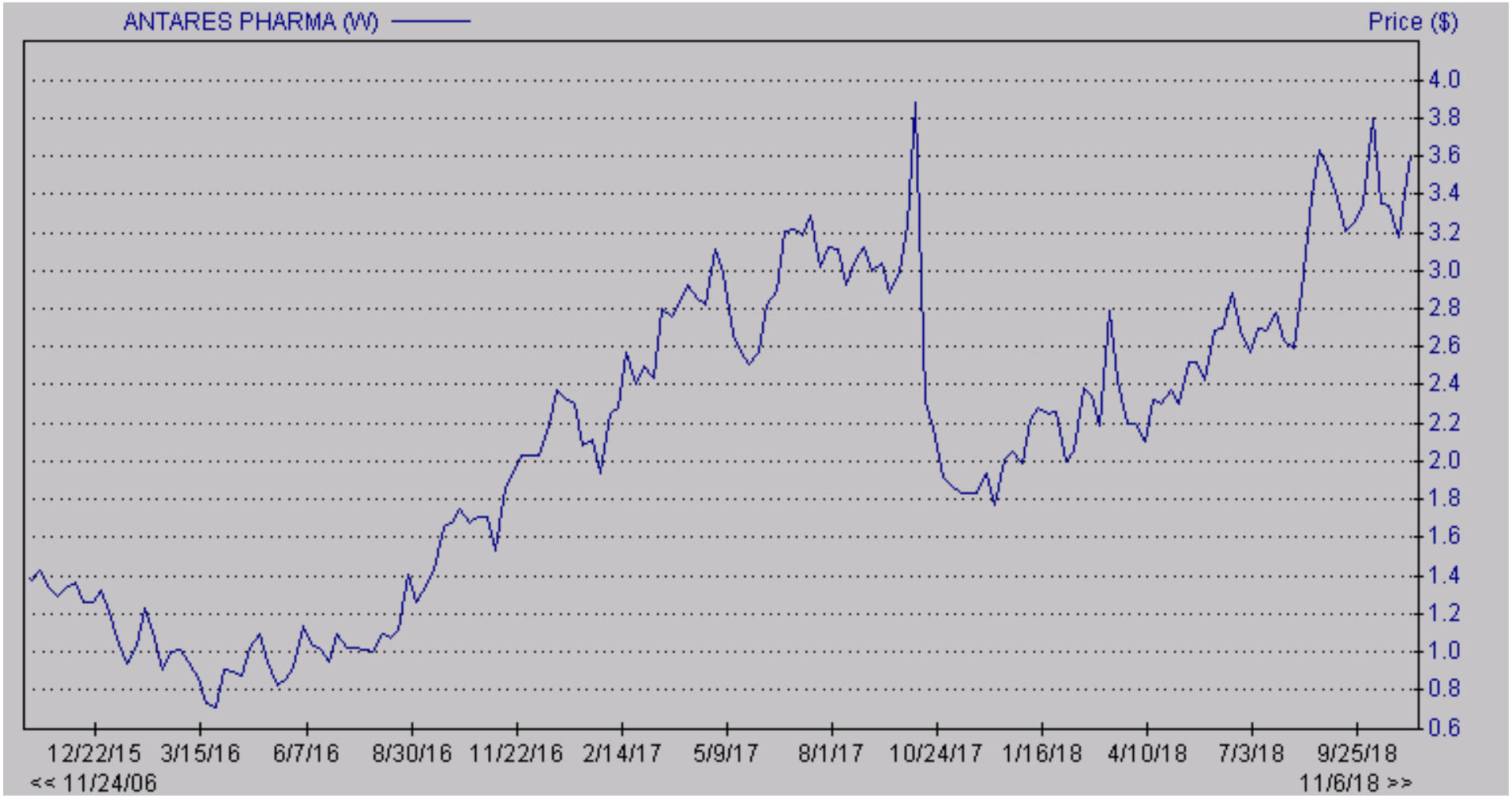
Antares Pharma, Inc.	2017 A	Q1 A	Q2 A	Q3 A	Q4 E	2018 E	2019 E	2020 E
Total Revenues	**$54,515**	**$12,703**	**$14,162**	**$17,868**	**$18,891**	**$63,624**	**$146,943**	**$241,397**
Cost of Product Sales	$22,317	$6,536	$6,677	$6,864	$7,943	$28,020	$63,394	$94,091
Cost of Development Revenue	$5,149	$650	$283	$425	$750	$2,108	$2,240	$2,240
Gross Profit	$27,050	$5,517	$7,202	$10,579	$10,198	$33,496	$81,309	$145,066
Product Gross Margin	*49.6%*	*43.4%*	*50.9%*	*59.2%*	*54.0%*	*52.6%*	*56.9%*	*61.0%*
R&D	$13,147	$3,320	$3,650	$3,611	$4,000	$14,581	$15,000	$14,000
SG&A	$30,353	$7,816	$7,463	$8,327	$7,700	$31,306	$32,245	$33,213
Other expenses	$0	$0	$0	$0	$0	$0	$0	$0
Operating Income	($16,451)	($5,619)	($3,911)	($1,359)	($1,502)	($12,391)	$34,064	$97,854
Operating Margin	*-30.2%*	*-44.2%*	*-27.6%*	*-7.6%*	*-7.9%*	*-19.5%*	*23.2%*	*40.5%*
Total Other Income	($292)	($574)	($609)	($577)	$0	($1,760)	$0	$0
Pre-Tax Income	($16,743)	($6,193)	($4,520)	($1,936)	($1,502)	($14,151)	$34,064	$97,854
Taxes & Other	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($16,743)	($6,193)	($4,520)	($1,936)	($1,502)	($14,151)	$34,064	$97,854
Reported EPS	**($0.11)**	**($0.04)**	**($0.03)**	**($0.01)**	**($0.01)**	**($0.09)**	**$0.21**	**$0.60**
Shares Outstanding	156,054.1	156,724.0	157,024.0	157,471.0	158,431.6	157,412.6	160,088.7	162,810.2

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

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HISTORICAL STOCK PRICE

Antares Pharma, Inc. – Share Price Chart



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