Zacks Equity Research

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POZEN, Inc. (POZN-NASDAQ)

POZN: Cash Rich and Pipeline Strong – Pozen Remains A Top-Pick In Small-Cap Biotech.

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	03/07/2007
Current Price (12/02/10)	$6.74
Six- Month Target Price	**$12.00**

UPDATE

Pozen is one of our top-picks for small-cap biotech. We see the fundamentals as strong and the valuation as low.

With Vimovo now approved, Pozen's balance sheet is solid, with $45 million in cash on hand, and another $25 million to come late 2010 from AstraZeneca on the first Ex-U.S. approval. We see Vimovo as a $500 million product in the U.S. alone, with Pozen entitled to 10% royalty on net sales. The royalty payments off Vimovo and Treximet should drive the company to cash flow positive operations in 2012. The Vimovo approval also validates the pathway for Pozen's phase III PA-325/40 product, which we see as adding significant upside to the story. We see the stock fairly-valued at $12.

SUMMARY DATA

52-Week High	**$12.08**
52-Week Low	**$5.58**
One-Year Return (%)	**-6.63**
Beta	**1.58**
Average Daily Volume (sh)	**137,161**
Shares Outstanding (mil)	**30**
Market Capitalization ($mil)	**$198**
Short Interest Ratio (days)	**13.92**
Institutional Ownership (%)	**54**
Insider Ownership (%)	**16**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**31.9**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2010 Estimate	**N/A**
P/E using 2011 Estimate	**20.1**
Zacks Rank	**3**

Risk Level	**Average**
Type of Stock	**Small-Growth**
Industry	**Med-Drugs**
Zacks Rank in Industry	**60 of 79**

ZACKS ESTIMATES

Revenue
(In millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	8.8 A	4.9 A	14.3 A	4.2 A	32.2 A
2010	6.9 A	28.2 A	4.3 A	30.5 E	70.0 E
2011					39.4 E
2012					57.8 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	-$0.12 A	-$0.14 A	$0.22 A	-$0.19 A	-$0.23 A
2010	-$0.10 A	$0.53 A	-$0.29 A	$0.58 E	$0.74 E
2011					-$0.44 E
2012					$0.00 E

Zacks Projected EPS Growth Rate - Next 4 Years % **N/A**

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WHAT'S NEW

Vimovo Approval Ex-U.S. Nets Pozen $25M

On November 12, 2010, Pozen was notified by commercialization partner, AstraZeneca, that Vimovo (500mg naproxen + 20mg esomeprazole MR) received marketing and pricing approval in the United Kingdom. Vimovo is indicated for the symptomatic treatment of osteoarthritis (OA), rheumatoid arthritis (RA), and ankylosing spondylitis (AS) in patients who are at risk for developing non-steroidal anti-inflammatory drug (NSAID)-associated gastric and/or duodenal ulcers and where treatment with lower doses of naproxen or other NSADIs are not considered sufficient. We view this as an estimated $1 billion market opportunity worldwide. We remind investors that Vimovo received U.S. approval in April 2010.

Marketing and pricing approval in the U.K. represents the first major market (EU big 5) approval for Vimovo outside the U.S. Under the terms of the commercialization agreement with AstraZeneca, Pozen is now entitled to receive a $25 million milestone payment. We expect management to record this entire payment in the fourth quarter 2010. As a result, we now see revenues in the fourth quarter exceeding $30 million, with EPS at $0.58. For the full year 2010, we forecast revenues of $70.0 million at Pozen, with EPS of $0.74.

Pozen should exit 2010 with an estimated $64 million in cash and investments. We find this to be sufficient to fund operations for the foreseeable future, including the funding of four ongoing phase III studies on the PA franchise, given the strong royalties Pozen should now be receiving from Glaxo on Treximet (~18% of U.S. sales) and from AstraZeneca on Vimovo (~10% of WW sales).

Third Quarter Financials

On October 28, 2010, Pozen reported financial results for the third quarter ended September 30, 2010. Total revenues for the third quarter 2010 were $4.3 million, in-line with our expectations. Revenues consisted of $3.9 million in royalties from sales of Treximet at GlaxoSmithKline (18% royalty on $21.6 million in sales) and $0.4 million in royalties from sales of Vimovo at AstraZeneca (10% royalty on $4.6 million in sales). Pozen reported a net loss during the third quarter of $8.6 million, or $0.29 per diluted share. This was in-line with our forecast for EPS of ($0.28) per diluted share.

For 2010, management expects to report net income of $21 to $23 million. This assumes Treximet sales at GlaxoSmithKline will be in the range of $85 to $90 million for the full year and that the Vimovo launch by AstraZeneca continues to be the slow "just-in-time" process that began in the third quarter. Management has guided that the patent litigation expenses to defend the Treximet intellectual property will be approximately $8.5 million for the full year. We note the trial to defend the Treximet IP has completed and the judge (Judge Leonard Davis of the Eastern District of Texas) expects to rule before the end of the year. This could be a major catalyst for the shares, as the Treximet patent challenge has been an overhang on the shares for the past two years.

Phase III For PA-650/20 Should Begin Shortly

Guidance also expects that Pozen will not begin a phase III program on PA-650/20 until 2011 based on Pozen's schedule meeting with the U.S. FDA to discuss plans for the trial in December 2010. We note that on November 4, 2010, the FDA's Gastrointestinal Drugs Advisory Committee voted in favor (8-4) that endoscopically-diagnosed gastric/duodenal ulcers are an adequate primary efficacy endpoint for evaluating products intended to prevent NSAID-associated upper gastrointestinal (UGI) toxicity.

The Advisory Committee's vote supports the clinical design of Pozen's ongoing phase III trial evaluating PA-325/40 (325mg enteric-coated aspirin + 40mg immediate release omeprazole) for the secondary prevention of cardiovascular disease in patients at risk for aspirin-associated gastric ulcers. We remind investors that Pozen is developing PA-325/40 under the FDA's Special Protocol Assessment (SPA). With the Advisory Committee's favorable vote and hopefully final review of this matter, management should now be able to proceed into a second phase III program with PA-650/20 (650mg enteric-coated aspirin + 20mg immediate release omeprazole) for the treatment of pain and inflammation in patients with OA / RA / AS.

Optimistic On Pozen

Pozen is one of our top picks in the small-to-mid cap biotechnology industry. We view the company as financially sound, with an estimated $64 million in cash to be on hand at the end of 2010. The royalty line should begin to dramatically accelerate over the next few quarter as sales of both Treximet and Vimovo ramp at Glaxo and AstraZeneca, respectively. Based on our financial model, Pozen should turn cash flow positive in 2012 based on the royalties off the Treximet and Vimovo ramp. Plus, Pozen still offers shareholders significant opportunity for upside with the currently ongoing phase III program on PA-325/40 (cardiovascular disease) and PA-650/20 (pain). Our price target is $12 per share.

OVERVIEW

Treximet Ramp Continues Slowly

Sales of Treximet in the third quarter 2010 totaled only £13 million ($21.6 million) at Glaxo. This resulted in a royalty payment from Glaxo to Pozen of approximately $3.9 million. Sales continue to track below expectations since the launch two years ago. Sales in 2008 were hampered by the lack of approved marketing material. Sales in 2009 were hampered by significant sampling and widespread misconception that the product had poor reimbursement (tier-3 vs. the actual tier-2) status. In the first quarter 2010, sales were negatively impacted by increased co-pays and confusion around potential big changes coming to the prescription drug market with healthcare reform. The sluggish overall economy and the overall slow growth in prescriptions sales continue to weigh on non life-threatening products such as Treximet. The patent challenge has also somewhat demoralized the sales staff and Treximet prescriptions are suffering as a result.

Paramount to driving uptake for Treximet is to rectify the still widespread misconception that Treximet is a poorly reimbursed product, or a line-extension of the now generic Imitrex. Based on market research, 98% of the patients that try Treximet give the product a favorable rating, and 75% believe Treximet to be superior to their current migraine prevention therapy. Therefore, we believe as Glaxo's marketing efforts improve, Treximet sales should continue their ramp, albeit slowly, in the future. Judge Davis of the Eastern District of Texas expects to rule on the patent trial before the end of the year. Pozen's CEO, John Plachetka, stated on the third quarter conference call that Par Pharmaceuticals provided "no surprises" in their case and that he remains "very confident" in a favorable outcome. We believe that once Treximet has cleared the IP overhang, a reinvigorated Glaxo sales staff should be focused on growing prescriptions in 2011.

For 2010, we forecast Treximet sales of $88 million, up 2% from 2009. This is in-line with management's guidance of Treximet sales between $85 and $90 million. Sales of $88 million will provide Pozen with $16 million in cash in 2010. This provides significant non-dilutive capital into Pozen, enough to cover the underlying SG&A expense, or at the very least over the ongoing patent litigation expense.

Vimovo Now On The Market

In April 2010, Pozen and its partner, AstraZeneca, announced that the U.S. FDA has approval of Vimovo (naproxen and esomeprazole magnesium) delayed-release tablets for the relief of signs and symptoms of osteoarthritis (OA), rheumatoid arthritis (RA), and ankylosing spondylitis (AS), and to decrease the risk of developing gastric ulcers in patients at risk of developing NSAID-associated gastric ulcers.

Based on FDA approval, Pozen received a $20 million milestone payment from AstraZeneca in May 2010. This milestone payment was recognized in full in the second quarter 2010. Since FDA approval, AstraZeneca has been focusing on building brand awareness and on developing formulary access and reimbursement. Astra launched the product late in the third quarter 2010 with a "just-in-time" type delivery following prescriptions. As a result, no significant channel stocking was seen upon the launch. This is good in the sense that there will be significantly less stocking / destocking and sales will match prescriptions going forward, however investors may be disappointed with the slow ramp of Vimovo over the next several quarters. Sales of Vimovo in the third quarter totaled $4.6 million. This resulted in a royalty payment from AstraZeneca to Pozen of approximately $460,000. For 2010 we see sales of Vimovo at $19 million. We believe this number will grow significantly in 2011, where we currently model $160 million in sales based on a strong ramp during the second half of the year.

In October 2010, Pozen and AstraZeneca announced Vimovo had received positive agreement for approval in 23 countries across the European Union (EU). The news follows all 22 concerned member states agreeing with the assessment of the Netherlands Health Authority (MEB), acting as the reference for the decentralised procedure. AstraZeneca will now pursuing pricing and reimbursement and national approval with each individual county. The first of these approvals came in November 2010 in the U.K. As a result, Pozen is entitled to a $25 million milestone payment from AstraZeneca before the end of the year. We model this payment in full in the fourth quarter 2010.

…A Potential Blockbuster Product…

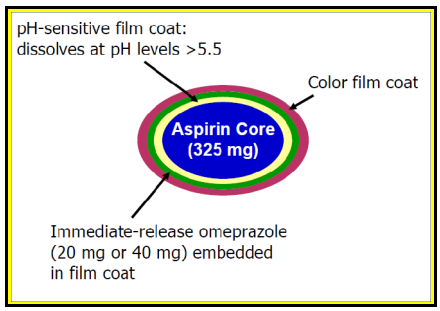
We see Vimovo as a $500+ million product in the U.S. alone. Cox-II drugs such as Vioxx and Celebrex, designed to provide safer gastrointestinal profile, peaked sales at over $7 billion worldwide in 2004 before Vioxx was pulled from the market for cardiovascular risk. According to management, approximately 50% of OA / RA patients are at risk for gastrointestinal (GI) damage. In the U.S., some 37 million Americans suffer from OA or RA. Several large clinical studies have confirmed that 20-40% of those who take NSAIDs regularly have one or more ulcers in their stomach or intestines. In the U.S., there are an estimated 16,500 deaths each year due to NSAID-induced GI complications (primarily from GI hemorrhage). Given the lack of treatment options and the withdrawal of Vioxx and Bextra, only about 25% of these patients are co-prescribed a gastro-protectant. The Vimovo "safer naproxen" product looks to have efficacy on par with Vioxx and Celebrex, with low-risk GI damage thanks to the esomeprazole component, and a cardiovascular risk profile determined to be no greater than placebo (risk ratio = 0.97, 95%: 0.87-1.07, McGettigan et al., JAMA, September 12, 2006).

We remind investors that drugs such as Prilosec and Nexium are already approved for daily use with naproxen. Nexium is a $5 billion product worldwide. We estimate approximately 10% of the Nexium sales are coming from patients co-prescribed the drug as a gastro-protectant. Even during the Cox-II market peak, physicians often recommended patients take a PPI such as esomeprazole as a safety precaution with Celebrex and Vioxx. The combination into one pill will greatly improve patient compliance and ease of use. We believe there is significant unmet prescription need caused by the removal of the Cox-II drugs. A sizable number of patients are still taking enteric-coated naproxen. Over half of these patients are at high risk for gastric ulcers. We believe Vimovo represents a safer option for patients than Cox-II drugs or enteric-coated naproxen. In fact, we would not be surprised to see AstraZeneca and Pozen develop a lower-dose version of PN seeking a potential move to over-the-counter (OTC) once the prescription candidate loses patent protection in 2023.

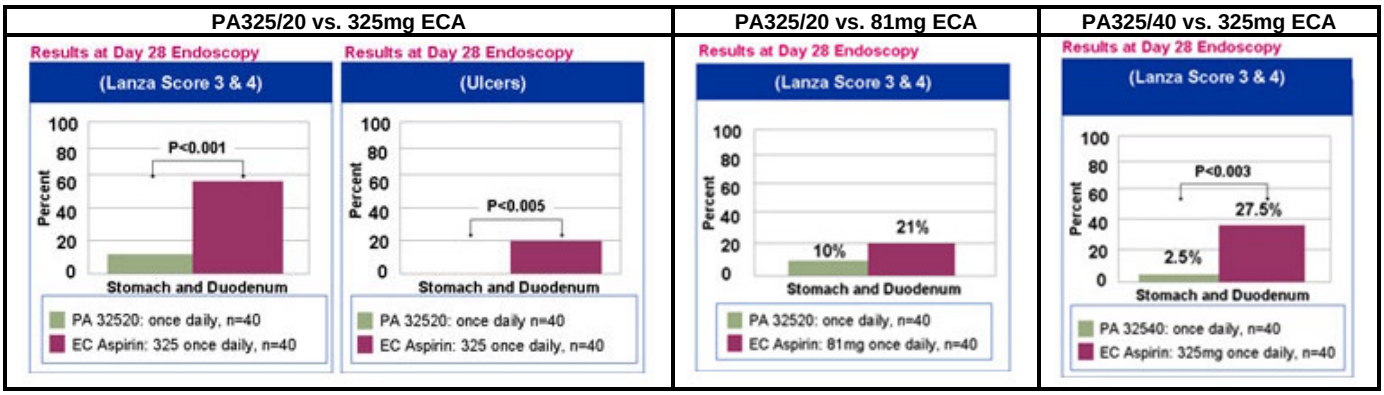
Bullish On PA

In December 2009, Pozen held an analyst and investor meeting in New York highlighting the potential for the company's phase III candidate, PA-325/40. The meeting featured prominent medical experts touting the potential benefits of aspirin therapy for the treatment of cardiovascular disease and colon cancer, while outlining the challenges that the PA product overcomes with respect to gastrointestinal safety. We think this is easily a $500+ million product in the U.S. alone.

Pozen has designed the PA-325/40 product to be a "safer aspirin" for daily use. PA-325/40 is 325mg of aspirin surrounded by a film coating of a 40mg immediate-release omeprazole. The PPI omeprazole provides gastrointestinal (GI) protection from the potential harmful effects of high-dose aspirin, including GI bleeding and ulcers. In addition, in-between the omeprazole and aspirin is a thin pH-sensitive film that only dissolves when the stomach is at pH >5.5, ensuring that no aspirin is released until the omeprazole has taken effect. Below is a cartoon representation of the PA product:



In June 2008, Pozen announced that it had filed a Special Protocol Assessment (SPA) with the U.S. FDA for pivotal phase III program on PA-325/40. As part of the SPA filing Pozen provided data proving the bioequivalence of PA-325/40 to 325mg of enteric-coated aspirin (ECA) with significant improvement in GI protection. By demonstrating bioequivalence to enteric coated aspirin, management believes PA-325/40, if approved, will receive all of aspirin's claims for the secondary prevention of cardiovascular events, including heart attacks and strokes. Below are graphical representations of the proof-of-concept data on PA. These results show significant GI protection for Pozen's PA product relative to enteric coating. In fact, Pozen's PA-325/20 product offered less GI-related damage (Lanza 3 / 4 scores) than 81mg "baby" aspirin.

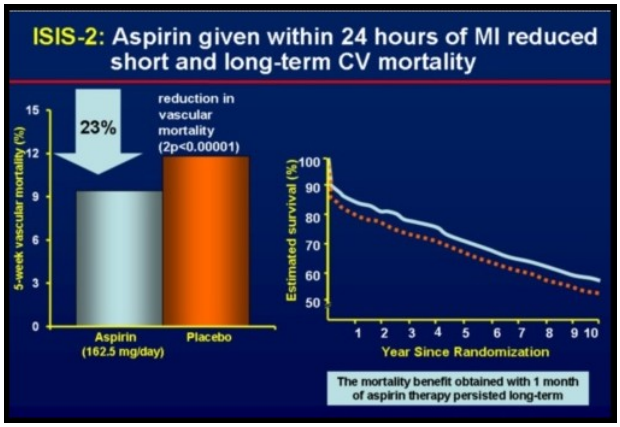


Pozen began the phase III product under U.S. FDA Special Protocol Assessment in October 2009. Enrollment in the two pivotal programs should continue through the end of the year 2010, and well into 2011. The design for the phase III program mirrors that of the Vimovo program, with the patient population skewed a little older and potentially more prone to cardiovascular disease. These two phase III trials will enroll around 500 patients each, with the primary endpoint being cumulative incidence of gastric ulcers over a six-month treatment period. Bioequivalence will also be confirmed. There is also be a long-term safety program that has completed enrollment at 400 patients, aimed at studying patients on PA-324/40 for a period of 12 months.

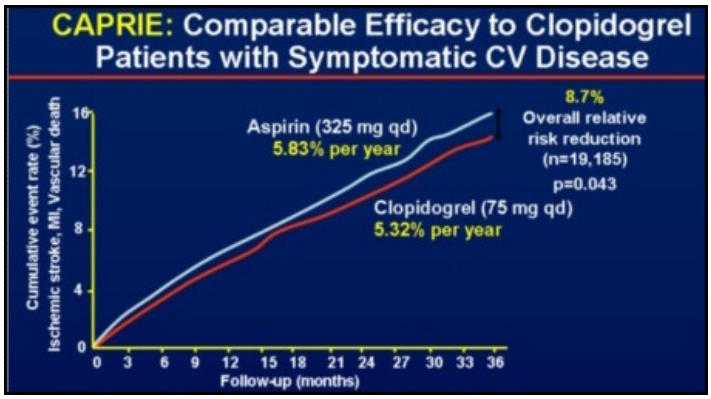
We expect Pozen will have all the necessary data from the phase III PA-325/40 trials in hand by the middle of 2012, and look to file the new drug application (NDA) later in 2012. Management is also in discussions with various European authorities working through potential dosing issues that are necessary to meet European regulatory standards.

…PA for Cardiovascular Disease…

No market in the pharmaceutical industry is larger than cardiovascular disease (CVD) prevention. CVD is the leading cause of death worldwide with over 50% mortality. Roughly 50% of newborns in the U.S. will eventual die from CVD, with about half of those due to coronary artery disease. An American has a heart attack roughly every 26 seconds. It is truly an enormous market for which the pharmaceutical industry has spent hundreds of billions of dollars on over the past twenty years. Aspirin has been used to prevent recurrent myocardial infarction (MI) since the 1940's when the drugs anti-platelet activation properties where first discovered. In 1988, the U.S. FDA approved the use of aspirin for the prevention of recurrent MI. Since that time, data reported in The Lancet from the ISIS-2 (2nd International Study of Infract Survival of MI) demonstrates that daily use of 162.5mg aspirin reduces the potential for vascular mortality by 23% ($p<0.00001$) vs. placebo in the first five weeks following a myocardial infarction. Long-term follow-up data suggest the benefit of daily aspirin use persists in the prevention of recurrent MI as long as 10 years post event. Today, 50 million American's use daily aspirin therapy.



Aspirin clearly is an effective drug for the reduction in risk of a future CVD event. However, what's more interesting is the direct comparison of aspirin, a drug that costs pennies a day and is available OTC, to Bristol-Myers and Sanofi's Plavix. Data from the CAPRIE (Clopidogrel versus Aspirin in Patients at Risk of Ischemic Events) in 1996 shows that Plavix (clopidogrel) offers only a modest 8.7% efficacy improvement over aspirin.



Cumulative Event Rate
(Ischemic Stroke, MI, CV-Death)

Plavix = 5.32%
Aspirin = 5.83%

+8.7% Overall risk reduction for Plavix

Severe Adverse Events…	**Plavix**	**Aspirin**
…Overall Hemorrhage	9.27%	9.28%
…Intracranial Hemorrhage	0.31%	0.42%
…GI Hemorrhage	1.99%	2.66%
…Severe GI Bleeding	0.49%	0.71%
…GI Adverse Events	27.1%	29.8%

The stronger efficacy and with the improved GI safety profile of Plavix has allowed Bristol-Myers and Sanofi to turn Plavix into the world's second best selling pharmaceutical product with sales over $7 billion worldwide in 2008. But most cardiologists agree aspirin is not being used to its full potential. Aspirin's limitations of GI intolerance and bleeding are what keep the daily recommended dose far below 325mg. The AHA and ACC recommend daily aspirin use at 75mg to 162mg per day. The European Society of Cardiology recommends 75mg to 150mg per day. These guidelines were put into place to reduce the potential for GI-related bleeding events. Data published in the American Journal of Cardiology shows a 2-fold reduction in major bleeding events and a 3-fold reduction in total bleeding events on daily aspirin use <100mg when compared to use >200mg.

Both the AHA and ACG recommend gastro-protective therapy in patients that take daily aspirin. Aspirin is the backbone of many cardiovascular therapies, including in combination use with Plavix. Unfortunately, of the 50+ million Americans that take daily aspirin therapy, 20% are at risk for major GI 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 GI side-effects. However, a VA Hospital study showed that less than 30% of the patients taking daily aspirin, either for pain or for secondary cardiovascular prevention, are co-prescribed a GI-protectant. And, even in patients that are co-prescribed the GI-protectant, only half comply. That means potentially 85% of patients that are at risk for developing GI-related complications due to aspirin therapy (ulcers / bleedings) are not taking a gastro-protective. Instead of taking 325mg per day, patients and physicians are migrating down to less-effective doses at 81mg. That's a target market of over 40 million patients in the U.S. alone.

Pozen's PA-325/40 delivers the effective dose of 325mg aspirin while offering substantial GI-protection. PA-325/40 is designed to have less GI-related adverse events than Plavix. We think this narrowing of the perceived safety gap between Plavix and aspirin, knowing that Pozen will price PA-325/40 far cheaper than Plavix, will allow for the drug to capture sizable market share gains in the daily aspirin or co-prescribed Plavix+aspirin population. Pozen's initial market research on PA-325/40 shows physician and patient receptiveness is high (>75%) to the product.

The risk to Pozen with the development of PA-325/40 is that the FDA will require an outcome trial prior to granting U.S. approval. If Pozen were to conduct an outcome program, CEO John Plachetka estimates the cost could be $50 to $80 million with 4000 to 8000 patients required. We estimate this could take several years to complete. This would not be the death of the PA franchise, but would be a significant blow in our view.

We remind investors that Pozen plans to market PA-325/40 without a larger pharmaceutical partner. The company believes a model that includes a small specialty sales force with a strong emphasis on digital media and high-value targeting will be most effective. Cost will also play a major role in Pozen's strategy to gain market share with PA. Management is thinking of a price around $1/day, low enough to keep payors, physicians, and patients on their side, but high-enough to still earn an attractive ROI given that Pozen's focus will be to remain "lean" on both R&D and overhead even after PA is approved.

We applaud this new commercial model heavy in technology and efficiency. It puts the focus on patients and physicians, and is something large pharmaceutical companies could learn from.

…PA for Pain...

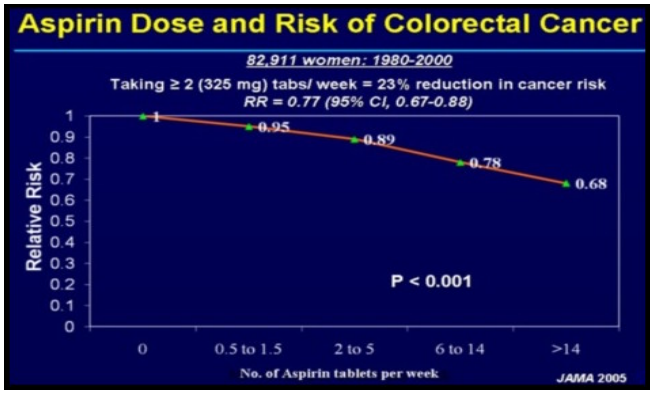
Pozen believes that there is a point of differentiation between a safer aspirin concept and all other products in the arthritis space, including the recently approved Vimovo. As such, management is looking to develop an even higher dose PA product, PA-650/20, for the potential treatment of pain associated with osteoarthritis (OA). Pozen plans to meet with the U.S. FDA in December 2010 to discuss plans for PA-650/20.

Once the regulatory pathway for PA-650/20 has been set, we expect management to begin the trials in 2011. The program will probably include two non-pivotal trails: 1) a long-term safety trial, similar to the one currently ongoing with PA-325/40, seeking to enroll 300 to 400 patients, and 2) a phase III efficacy program in roughly 250 patients with an OA endpoint (WOMAC pain). Then, once these two programs are underway, management will begin the PA-650/20 registration program, which we expect to mirror the PA-325/40 design – two phase III programs with a primary endpoint of cumulative incidence in gastric ulcers. We note that Pozen may be able to get by with slightly smaller trials than the two 500-patient PA-325/40 trials because the incidence of gastric ulcers will be greater with 650mg of ECA, and thus showing a statistical different between 650mg ECA and PA-650/20 will require less powering.

All NSAIDs, including Vimovo, have a black box warning for cardiovascular risk. And, even though naproxen is believed to be the safest of all available NSAIDs, the FDA still requires a bolded risk on the label for contraindication in patients at risk for cardiovascular thrombotic events, myocardial infarction, and stroke, or for patients undergoing at coronary artery bypass graft (CABG) surgery. Pozen's PA-650/20 product could offer significant differentiation for the treatment of OA or chronic pain in a patient population at risk for cardiovascular or gastrointestinal disease.

…PA for Cancer Prevention...

Besides the potential for high-dose daily aspirin in cardiovascular disease prevention, Pozen and key opinion leaders in oncology believe that significant potential exists in colorectal cancer prevention. There are an estimated 150k cases of colon or rectal cancer in the U.S each year, with 50k deaths. Colon cancer develops as the normal epithelium cells of the colon began to hyperproliferate into the formation of a small adenoma. If not treated, the small adenoma grows larger and can eventually turns cancerous. Diet, alcohol and smoking lead to increased risk factors for the development of colon cancer. Data from a prospective analysis of nearly 83k women from 1980 to 2000 published in JAMA in 2005 shows a significant risk reduction when on daily aspirin 325mg.



In total, we have seen four randomized clinical programs demonstrating a significant risk reduction in patients with confirmed adenomas taking aspirin vs. placebo. The pooled analysis shows a 20% to 40% reduction in risk of cancer development for patients taking that high-dose aspirin (325mg). Unfortunately, the same increased risk of GI bleeding and gastric ulcers was seen in the trials as discussed above for cardiovascular disease prevention.

There is a 2-fold increase in risk of a major GI bleed for patients taking 325mg aspirin per day vs. placebo. Therefore, despite the reduction in risk of cancer progression, the U.S. Preventive Services Task Force stated in 2007 that, "The harms outweigh the benefits of aspirin and NSAID use for prevention of colorectal cancer." Similar to cardiovascular disease, aspirin, a proven effective drug for prevention, is not being used to the full potential because of the negative GI-related side effects.

This is why we think Pozen's PA product has significant sales potential. It is aspirin without the harmful side effects. PA "safer aspirin" could be a blockbuster drug.



Source: Pozen, Inc.

PROJECTED INCOME STATEMENT

POZEN INC.

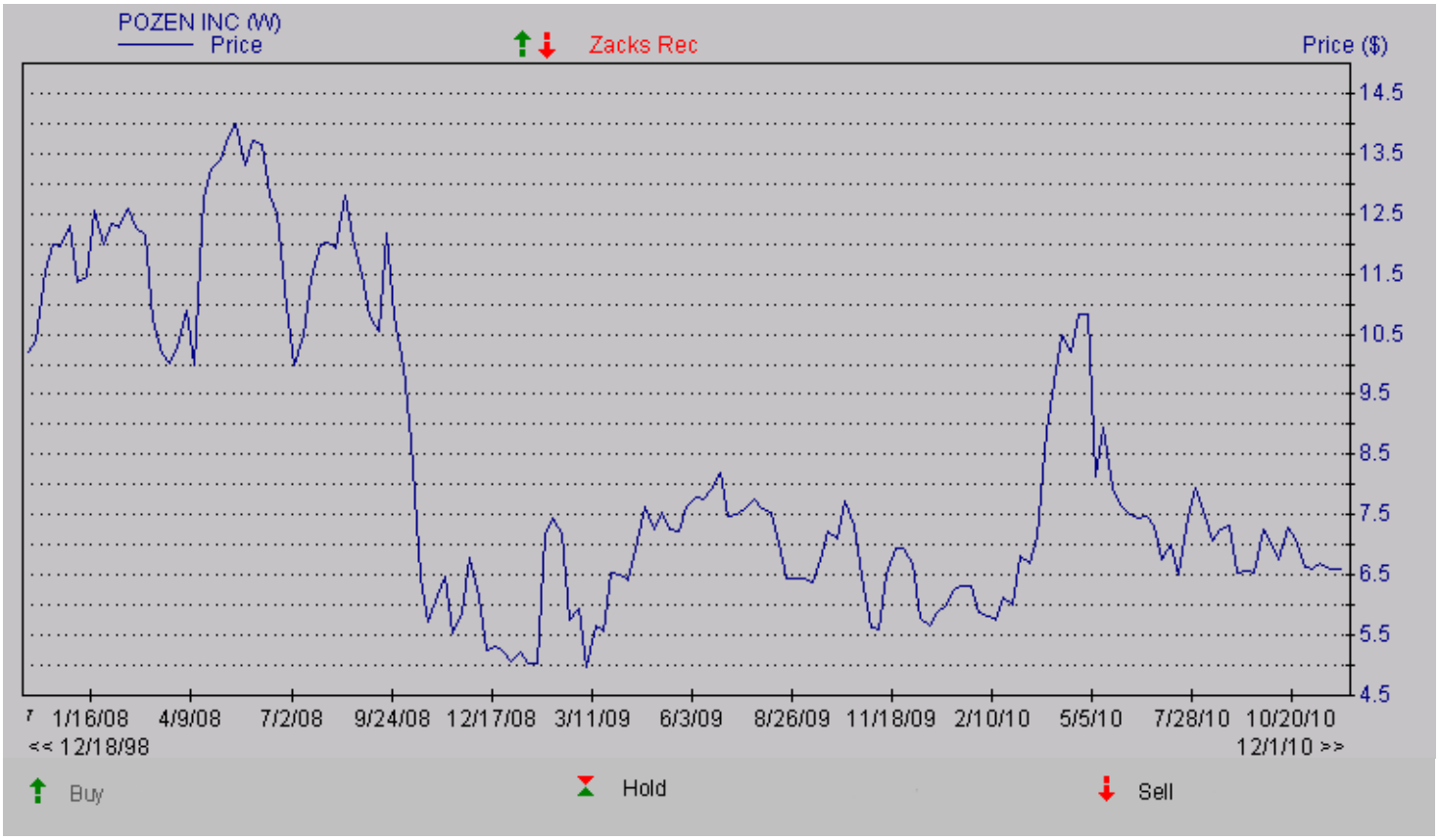
Income statement

	2009 A	Q1 A	Q2 A	Q3 A	Q4 E	2010 E	2011 E	2012 E	2013 E	2014 E
Treximet (sales)	$86.1	$21.0	$22.7	$21.6	$22.5	$87.8	$102.0	$109.0	$115.0	$120.0
Treximet (royalty)	**$4.3**	**$3.8**	**$4.1**	**$3.9**	**$4.1**	**$15.8**	**$18.4**	**$19.6**	**$20.7**	**$21.6**
YOY Growth	*83.6%*	*272.4%*	*331.6%*	*222.7%*	*256.8%*	*267.1%*	*16.2%*	*6.9%*	*5.5%*	*4.3%*
Vimovo (sales)	$0	$0	$0	$4.6	$14.2	$18.8	$160.5	$282.3	$410.2	$544.1
Vimovo (royalty)	**$0**	**$0**	**$0**	**$0.5**	**$1.4**	**$1.9**	**$16.1**	**$28.2**	**$41.0**	**$54.4**
YOY Growth	-	-	-	-	-	-	*754.8%*	*75.8%*	*45.3%*	*32.6%*
PA-325/40 (Sales)	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$40.0**	**$80.0**
YOY Growth	-	-	-	-	-	-	-	-	-	*100.0%*
Licensing / Development	**$27.9**	**$3.1**	**$24.1**	**$0.0**	**$0.0**	**$27.3**	**$30.0**	**$10.0**	**$5.0**	**$5.0**
YOY Growth	*-56.3%*	*-59.4%*	*508.5%*	*-100.0%*	*-100.0%*	*-2.1%*	*10.0%*	*-66.7%*	*-50.0%*	*0.0%*
Total Revenues	$32.2	$6.9	$28.2	$4.3	$5.5	$45.0	$64.4	$57.8	$106.7	$161.0
YOY Growth	*-51.3%*	*-50.7%*	*101.2%*	*-93.4%*	*-37.6%*	*39.7%*	*43.2%*	*-10.2%*	*84.5%*	*50.9%*
Cost of Goods Sold	$0	$0	$0	$0	$0	$0	$0	$0	$6.0	$12.0
Product Gross Margin	*100.0%*	-	-	-	-	*100.0%*	*100.0%*	*100.0%*	*94.1%*	*92.3%*
SG&A	$17.8	$5.2	$5.7	$7.0	$6.5	$24.4	$25.0	$30.0	$36.0	$44.0
% SG&A	*55.2%*	*75.2%*	*20.1%*	*161.5%*	*118.9%*	*54.3%*	*38.8%*	*51.9%*	*33.7%*	*27.3%*
R&D	$22.4	$4.7	$6.4	$6.0	$6.7	$23.8	$30.0	$30.0	$25.0	$25.0
% R&D	*69.7%*	*68.1%*	*22.6%*	*137.7%*	*122.5%*	*6+.%*	*46.6%*	*51.9%*	*23.4%*	*15.5%*
Operating Income	($8.0)	($3.0)	$16.2	($8.7)	($7.7)	($3.2)	$9.4	($2.2)	$39.7	$80.0
Operating Margin	*-24.9%*	*-43.3%*	*57.3%*	*-199.2%*	*-141.4%*	*-7.2%*	*14.6%*	*-3.7%*	*37.2%*	*49.7%*
Interest Income / Net	$0.5	$0.0	$0.0	$0.1	$0.3	$0.4	$1.8	$2.2	$2.6	$3.1
Pre-Tax Income	($7.5)	($3.0)	$16.2	($8.6)	($7.4)	($2.8)	$11.2	$0.0	$42.3	$83.1
Taxes	($0.63)	$0	$0	$0	$0	$0	$0	$0	$13.5	$26.6
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*32.0%*	*32.0%*
Net Income	($6.9)	($3.0)	$16.2	($8.6)	($7.4)	($2.8)	$11.2	$0.0	$28.8	$56.5
YOY Growth	-	-	-	-	-	-	*-501.0%*	*-99.6%*	*60128.7%*	*96.4%*
Net Margin	*-21.3%*	*-42.8%*	*57.4%*	*-197.7%*	*-135.9%*	*-6.2%*	*17.4%*	*0.1%*	*27.0%*	*35.1%*
Reported EPS	($0.23)	($0.10)	$0.53	($0.29)	($0.24)	($0.09)	$0.36	$0.00	$0.90	$1.71
FAS-123R Expense	$5.1	$0.8	$1.0	1.0	$1.4	$3.2	$6.0	$6.5	$7.0	$7.5
EPS Impact of FAS-123R	($0.17)	($0.03)	($0.03)	($0.03)	($0.05)	($0.11)	($0.19)	($0.21)	($0.22)	($0.23)
Fully Diluted Shares	29.9	29.8	30.4	29.9	30.6	30.2	31.0	31.5	32.0	33.0

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

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