Zacks Small-Cap Research

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Antares Pharma, Inc. (ATRS - NASDAQ)

Makena Maturing Quickly, Providing 1Q:18 Boost

Based on our DCF model and a 15% discount rate, ATRS is valued at approximately $3.50 per share. Our model applies a range of probabilities for development projects seeking ANDA and sANDA approval and eventual commercialization.

Current Price (5/9/2018)	$2.48
Valuation	**$3.50**

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	**1.58**
One-Year Return (%)	**-16**
Beta	**-0.43**
Average Daily Volume (sh)	**1,298,800**
Shares Outstanding (mil)	**156.8**
Market Capitalization ($mil)	**388.9**
Short Interest Ratio (days)	**1.29**
Institutional Ownership (%)	**37.2**
Insider Ownership (%)	**9.4**
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	**16.5**
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	$16.0 E	$18.3 E	$19.0 E	$66.0 E
2019					$126.7 E
2020					$183.7 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 E	-$0.02 E	-$0.02 E	-$0.09 E
2019					$0.15 E
2020					$0.39 E

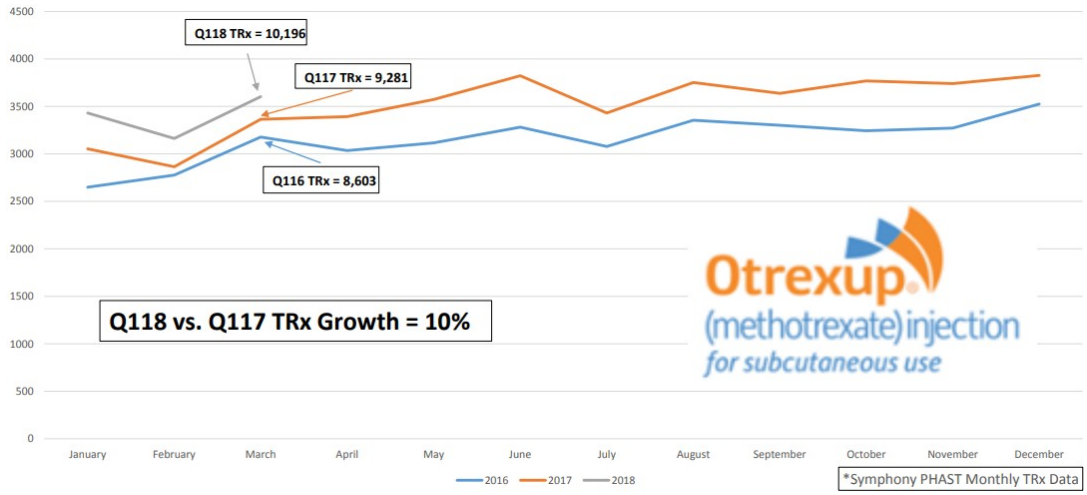
What's New

1Q:18 Operational and Financial Results

Antares Pharma, Inc. (NASDAQ: ATRS) reported first quarter 2018 results on May 8, 2018, posting 5.8% topline growth and a loss of ($0.04) per share. Revenue growth was slightly ahead of our 5.4% forecast and earnings matched our estimate. A strong showing by Makena auto-injectors in was behind the better than expected revenue increase. Recent successes include the regulatory approval of Makena, progress on the sale of Zomajet and continued interaction with the FDA to get Xyosted across the finish line.

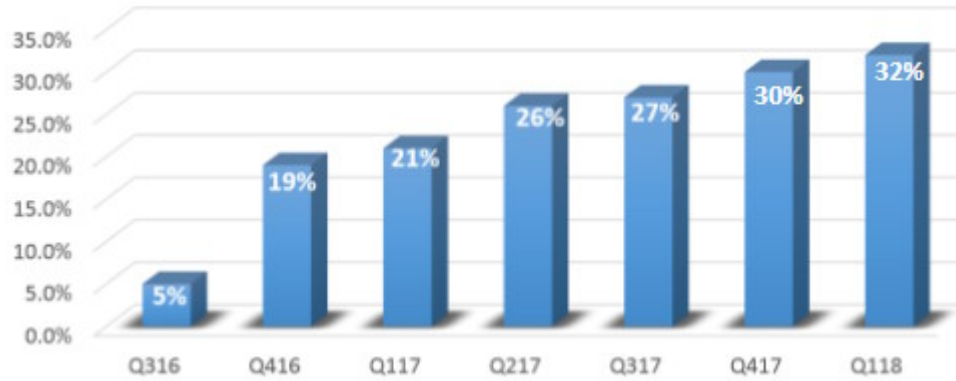
Total revenues for 1Q:18 were $12.7 million, up from $12.0 million in 1Q:17. The Auto/Pen Injector Devices segment was the standout in the quarter due to contributions from Makena. While Otrexup sales were down 13% on a GAAP basis, the change was due to a 1Q:17 true-up of estimated deferred revenue which increased sales by $1.3 million. Absent this adjustment, Otrexup revenues increased 21%.

Exhibit I – Otrexup Revenue Trends[1]



Antares' market share increase continued for sumatriptan, rising sequentially from 30% to 32%. Despite this increase in share, total revenues declined year over year from $3.6 million in 1Q:17 to $2.8 million in 1Q:18 due to pricing and timing effects. Pricing has weakened somewhat in the sumatriptan space and there has been a response with Endo withdrawing its Sumavel DosePro from the market in the first quarter. We believe that Teva will be wise balancing price and market share in coming quarters.

Exhibit II – Sumatriptan Auto Injector Market Share[2]



[1] Graphic sourced from Antares' 1Q:18 slide presentation.
[2] Data provided by Symphony Health Solutions and included in Antares' 1Q:18 slide presentation.

Needle-free Injector device sales declined 0.9% in the first quarter to $1.4 million and sumatriptan fell by 22.3% on lower product shipments to Teva. The Auto/Pen Injector category (excluding sumatriptan) was up 450% for the quarter to $2.8 million. Total product sales, which is the combination of Otrexup, sumatriptan, Needle Free Injector devices and Auto/Pen Injectors, rose 9% in the first three months of the year. Development revenue was down on a shift away from Makena development as first sales were recognized for this new product. Royalties rose 42% in the period to $469,000 recognizing contributions from Makena.

Gross profit for 1Q:18 was $5.5 million which represents a margin of 43.4%. This compares to a 48.2% rate in 1Q:17 and 49.6% for the full year 2017. Lower GAAP net revenue for Otrexup, lower margin from Sumatriptan and contribution from lower margin Makena were cited as reasons for the change. Product sales margin was 40.3% in 1Q:18 vs. 45.7% in 1Q:17, while development revenue margin was 47.7% and 52.4% respectively, both showing about a 500 bp decline over the comparable period.

R&D rose by 8% versus the prior year period due to new product investment and post-CRL activities for Xyosted. SG&A was up 5% for the quarter on a year over year basis reflecting higher compensation and benefit expense offset by a reduction in legal expenses.

As of March 31, 2018, Antares held $28.1 million in cash on its balance sheet. This is a sequential reduction in cash of $3.4 million which is comprised of cash burn of ($6.1) million partially offset by funds received for the Zomajet deal of $2.7 million. Our R&D estimates reflect the new development initiatives that Antares will pursue in urology and neurology. SG&A is expected to see a slight rise in 2018; however, when the Xyosted launch timing becomes clear, the model be updated to reflect costs related to the sales force.

Makena Approval

On February 14, 2018 the FDA approved AMAG's Makena, a subcutaneous injection for pre-term birth. Several benefits from the new method of administration are a faster injection with a less painful, concealed needle in the arm. The previous generation of Makena required a multi-step process involving a 21-gauge, 1.5 inch needle and a 60 second plus injection duration in the gluteus maximus. We expect that the simpler and less painful process for subcutaneous Makena, with no expected increase in price, will result in a rapid switch over to the new product and limited resistance from payors. First sales were recognized in the last week in March, with a rapid changeover expected to limit any losses to potential generic competitors.

On its first quarter call, AMAG disclosed that patient enrollments through their Makena Care Connection program were 47% four weeks into the launch. This promising data, consistent pricing between sub-q and IM versions, and the absence of any generic competition for the IM form of Makena, suggest AMAG will be able to achieve a substantial level of penetration over the next several months.

Exhibit III – Makena[3]

- ✓ Efficient
- ✓ Discreet
- ✓ Administration friendly

	Subcutaneous injection	Intramuscular injection
Injection location	Back of upper arm	Upper-outer quadrant of the gluteus maximus
Injection duration	~15 seconds	One minute or longer
Needle size	27-gauge, 0.5" SQ needle	21-gauge, 1.5" IM needle

[3] Source: ATRS 1Q:18 Corporate Presentation

Sale of Zomajet

On October 10, 2017 Antares announced the sale of Zomajet to Ferring Pharmaceuticals for $14.5 million. As discussed in the release, Antares should continue to collect revenues from this product until year end 2018, and two payments totaling $4.75 million have already been received. This is a beneficial transaction for Antares as it divests a non-core business and provides capital to grow new products. Two additional payments of $4.75 and $5.0 million respectively are expected in the second and fourth quarter of 2018, at which time the transaction will be completed.

Xyosted Resubmits NDA with FDA

The FDA delivered a complete response letter (CRL) to Antares on October 20, 2017 for Xyosted. The FDA highlighted concerns that the injection could cause high blood pressure and be associated with depression and suicidality, adverse reactions listed on the label for other testosterone therapies. According to the release there was no mention of Chemistry, Manufacturing and Controls (CMC) concerns, which suggests the remedies required can be accomplished in-house.

During the Type A meeting on February 21, 2018 the company met with the FDA to discuss a resubmission plan in response to the CRL related to Xyosted. Notes were provided to the company in late March, after which the company prepared and submitted the necessary documents and information. The FDA considered the resubmission to be a complete, Class 2 response and determined a September 29, 2018 PDUFA date.

Based on background work performed in a previous report and our own experience with complete response letters, we estimate a 50/50 chance of eventual approval on the determined user fee goal date.

Development Products

- QST receives CRL issued October 20, 2017
  - Request for Type A Meeting – December 2017
  - Type A FDA Meeting – February 21, 2018
  - Type A Meeting Notes – Late March 2018
  - Resubmission of NDA – Late March 2018
  - PDUFA date – September 29, 2018
- Partner Teva
  - Exenatide
    - Settlement with AstraZeneca for exenatide in US
    - ANDA under active FDA review
    - ATRS executing on purchase order for commercial devices
    - Expect 180 days of marketing exclusivity
  - Teriparatide (Forteo) ANDA accepted by FDA
    - Teva may be considered first-to-file with 180 day exclusivity pending approval
    - Teva completed decentralized registration in EU & awaiting market authorization and patent clearance before commercialization
    - Approved in 17 EU countries
    - Global sales for Forteo are $1.75 billion in 2017 and growing
  - Epinephrine Pen
    - Launch expected in 2018
    - ANDA under active FDA review
    - If approved, will be only AB rated alternative

- AMAG's subcutaneous Makena presented positive pharmacokinetic data
    - Approval granted February 14, 2018
    - First sales March 2018
    - Approval is first for QuickShot autoinjector
- New Products
    - Developing investigational new drug (IND) application for an undisclosed candidate
    - May develop IND in Urology to complement Xyosted salesforce
    - May develop IND in Neurology specialty

Summary

Despite the CRL issued to Antares last year, we continue to see upside from current levels. Success with Makena and accelerating growth for Otrexup combined with other anticipated launches this year create a confluence of positive factors that should drive topline and earnings growth. We update our model to reflect first sales of Makena in March. Estimates are reduced for the epinephrine pen, and exenatide revenue lines as we expect these to start a somewhat later in the year than originally anticipated, as there has been no indication from the FDA or firm guidance by Teva on approval or launch for these products. Our target price remains at $3.50.

PROJECTED FINANCIALS

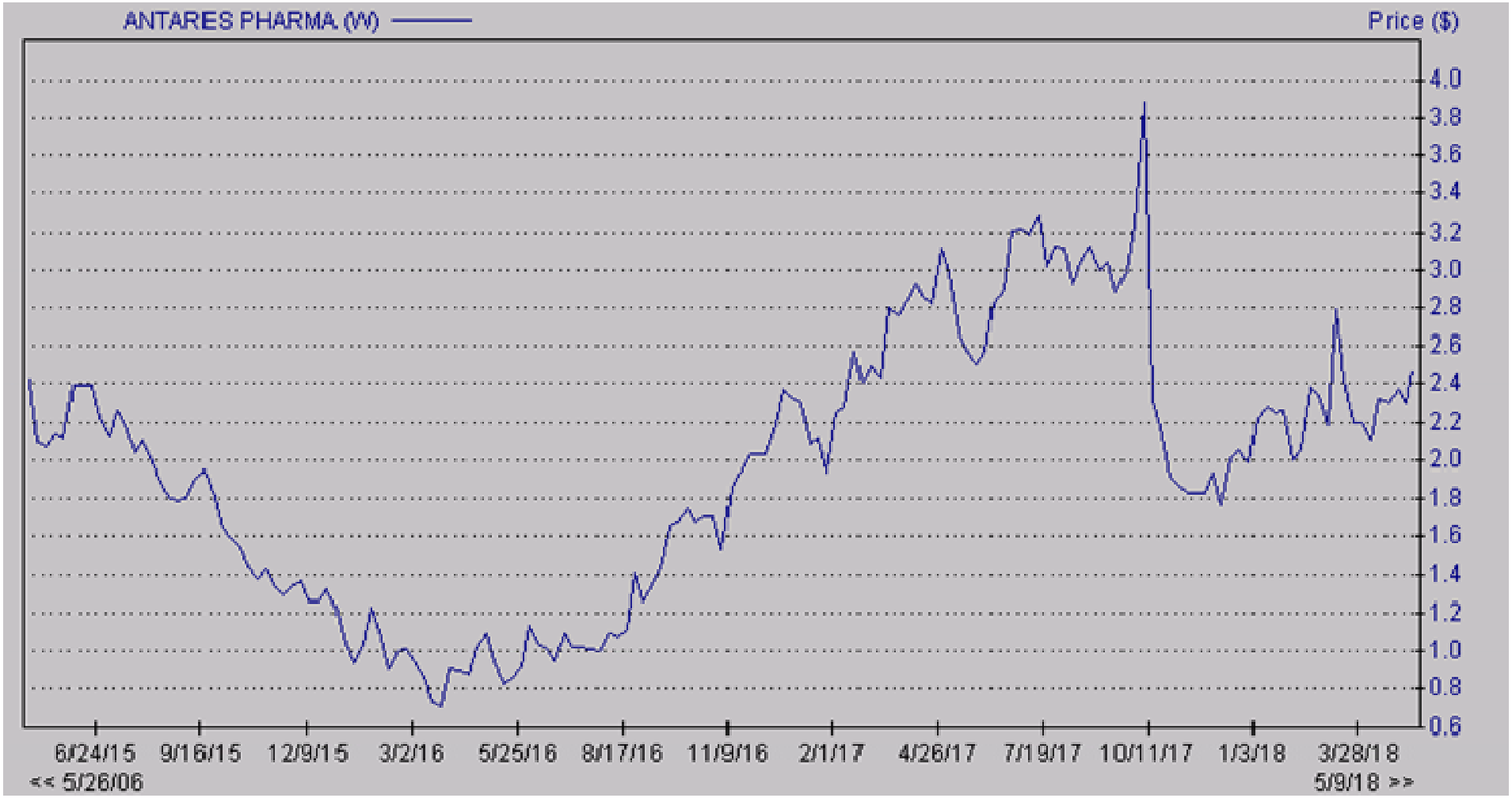
Antares Pharma, Inc. - Income Statement

Antares Pharma, Inc.	2017 A	Q1 A	Q2 E	Q3 E	Q4 E	2018 E	2019 E	2020 E
Total Revenues	**$54,515**	**$12,703**	**$16,004**	**$18,288**	**$19,008**	**$66,002**	**$126,718**	**$183,737**
Cost of Product Sales	$22,317	$6,536	$6,699	$7,792	$8,136	$27,866	$54,292	$71,027
Cost of Development Revenue	$5,149	$650	$750	$750	$750	$2,872	$2,240	$2,240
Gross Profit	$27,050	$5,517	$8,555	$9,746	$10,122	$35,265	$70,185	$110,470
Product Gross Margin	*49.6%*	*43.4%*	*53.5%*	*53.3%*	*53.2%*	*53.4%*	*57.2%*	*61.3%*
R&D	$13,147	$3,320	$5,000	$5,000	$5,000	$18,320	$15,000	$14,000
SG&A	$30,353	$7,816	$7,660	$7,660	$7,700	$30,836	$31,761	$32,714
Other expenses	$0	$0	$0	$0	$0	$0	$0	$0
Operating Income	($16,451)	($5,619)	($4,105)	($2,914)	($2,578)	($13,891)	$23,424	$63,756
Operating Margin	*-30.2%*	*-44.2%*	*-25.7%*	*-15.9%*	*-13.6%*	*-21.0%*	*18.5%*	*34.7%*
Total Other Income	($292)	($574)	$0	$0	$0	$0	$0	$0
Pre-Tax Income	($16,743)	($6,193)	($4,105)	($2,914)	($2,578)	($13,891)	$23,424	$63,756
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)	($4,105)	($2,914)	($2,578)	($13,891)	$23,424	$63,756
Reported EPS	**($0.11)**	**($0.04)**	**($0.03)**	**($0.02)**	**($0.02)**	**($0.09)**	**$0.15**	**$0.39**
Shares Outstanding	156,054.1	156,724.0	157,680.0	158,641.9	159,609.6	158,707.0	161,405.0	164,148.9

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

HISTORICAL STOCK PRICE

Antares Pharma, Inc. – Share Price Chart



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