

## Amarin Corporation (AMRN)

**\$7.64** (As of 08/27/20)

Price Target (6-12 Months): **\$8.25**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 01/01/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:B

Value: D

Growth: B

Momentum: B

### Summary

Amarin reported mixed Q2 results, wherein earnings beat the Zacks Consensus Estimate but revenues missed the same. The company's sole marketed drug Vascepa has been on a strong growth trajectory for the last four years. The drug's recent label expansion for cardiovascular indication looks promising. The growth trend for Vascepa has continued in 2020. The company is expanding its sales force and started promotional programs to create awareness for Vascepa's expanded label. These initiatives are likely to drive sales higher. The company is looking to get approval for the drug in additional countries. However, Amarin is over-dependent on Vascepa for growth. The company anticipates adverse impact on sales due to COVID-19 in the remainder of 2020. Moreover, potential generic competition remains a concern.

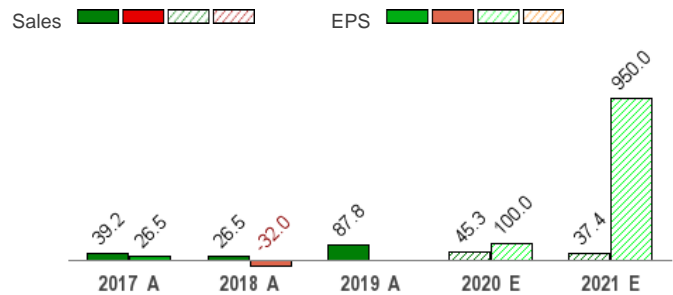
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$26.12 - \$3.95
20 Day Average Volume (sh)	6,012,877
Market Cap	\$2.9 B
YTD Price Change	-64.4%
Beta	2.62
Dividend / Div Yld	\$0.00 / 0.0%
Industry	<a href="#">Medical - Biomedical and Genetics</a>
Zacks Industry Rank	Bottom 29% (178 out of 252)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	200.0%
Last Sales Surprise	-9.7%
EPS F1 Est- 4 week change	46.2%
Expected Report Date	11/03/2020
Earnings ESP	-35.7%
P/E TTM	127.3
P/E F1	191.0
PEG F1	NA
P/S TTM	5.4

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	204 E	232 E	260 E	288 E	859 E
2020	155 A	135 A	156 E	175 E	625 E
2019	73 A	101 A	112 A	143 A	430 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.13 E	\$0.18 E	\$0.22 E	\$0.26 E	\$0.42 E
2020	-\$0.03 A	\$0.04 A	\$0.02 E	\$0.03 E	\$0.04 E
2019	-\$0.05 A	\$0.02 A	\$0.01 A	\$0.04 A	\$0.02 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/27/2020. The reports text is as of 08/28/2020.

## Overview

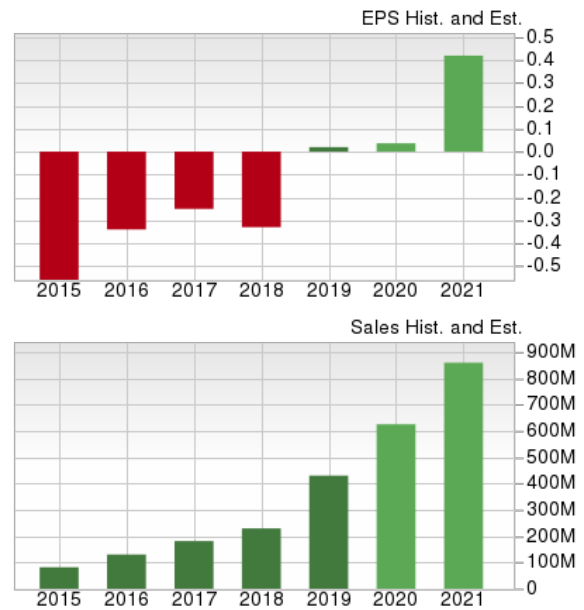
Dublin, Ireland based Amarin Corporation plc is a commercial-stage pharmaceutical company focused on developing therapies, especially based on omega-3 fatty acid, for treating cardiovascular diseases.

The company's sole marketed drug, Vascepa (icosapent ethyl) is approved in the United States as an adjunct to diet for treating severe hypertriglyceridemia or elevated triglyceride (TG) levels ( $\geq 500$  mg/dL). In December 2019, the FDA approved Vascepa to reduce cardiovascular risk in patients with persistent elevated triglycerides on statin therapy for LDL-C. The drug is under review in Europe for the cardiovascular indication.

The has several initiatives to boost Vascepa sales. It has initiated various promotional activities and direct-to-consumer programs as well as expanded its salesforce to support promotion of Vascepa's expanded label.

However, a district court ruled in favor of generic companies seeking approval for generic version of Vascepa for treating hypertriglyceridemia. The company has appealed against the ruling. Meanwhile, the company has signed settlement agreement with Teva and Apotex related to patent litigation for generic version of Vascepa.

Amarin derives revenues primarily from the sale of Vascepa in the United States. The drug recorded sales of \$427.4 million in 2019. Amarin generated sales of \$429.8 million in 2019 compared with \$229.2 million in 2018.



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## Reasons To Buy:

▲ **Vascepa Sales Growth Impressive:** Amarin started commercialization of Vascepa in 2013 following its FDA approval. Sales of the drug have recorded strong year-over-year growth in the last four years. Sales registered 100% growth in the first half of 2020. Sales from the drug in 2020 are expected to be between \$650 million and \$700 million, suggesting another strong year of growth. The company believes Vascepa has multi-billion dollar potential.

▲ **Efforts to Boost Vascepa Sales:** Amarin is planning several initiatives to boost Vascepa sales. The company expanded its salesforce to support promotion of Vascepa's expanded label, which was approved based on REDUCE-IT cardiovascular outcome study in December 2019. The company increased its sales team to 800 in early 2020 and has started promoting the expanded label of the drug among physicians. The company has initiated various promotional activities and direct-to-consumer programs to increase awareness about Vascepa. The company is also actively engaged in improving payer coverage for the drug.

Apart from promotional programs in the United States, Amarin is looking to get approval for Vascepa in additional countries. In December 2019, the drug was approved in Canada and it is under review in Europe. An approval in Europe is expected by the end of 2020. The company has made significant progress in terms of developing resources to support launch in Europe over the past year, following a potential approval. The company will commercialize the drug in Europe through its own dedicated European commercial organization. Moreover, the company is actively looking to sign partnership/licensing deals for commercialization of Vascepa in ex-U.S. markets. It already has partnership/licensing deals to commercialize Vascepa in certain ex-U.S. markets like the Middle East, China and Canada. These deals reduce commercialization costs, and provide additional funds in upfront and milestone payments and access to established marketing networks of partners in concerned territories.

▲ **Lucrative Cardiovascular Market:** Amarin's Vascepa targets patients with high TG levels who are at risk of cardiovascular events, including heart attacks and stroke, which represents a significant opportunity. Costs related to cardiovascular disease in the United States are more than \$500 billion each year, per American Heart Association. Approximately 121 million adults in the United States have a cardiovascular disease with an estimated 1 million new or recurrent coronary events and 795,000 new or recurrent strokes occur each year. It is estimated that more than 50 million adults in the United States have elevated triglyceride level. In Europe, it is estimated that 80 million people have cardiovascular disease and 11 million new cases are added each year. The drug reduces the risk of cardiovascular events by lowering TG levels in patients with controlled LDL-C (bad cholesterol) levels through maximally tolerated statins. Controlled LDL-C levels reduce the risk of cardiovascular events by 25-35%, which leaves a significant opportunity for Vascepa. It is estimated that there are more than 50 million people with elevated TG levels (>150 mg/dL). Vascepa is also the only FDA-approved drug for reducing cardiovascular risk beyond cholesterol lowering therapy in high-risk patients.

▲ **Favorable Debt Profile:** Amarin has a favorable debt profile. As of Jun 30, 2020, the company's debt to total capital was 3.6%, which compared favorably with 5.9% at the end of first quarter 2020. A lower ratio indicates lower financial risk. Moreover, the company brought down its debt (current + long-term) significantly in the past six quarters to \$22 million as of Jun 30, 2020 from \$80.3 million at 2018 end. This sharply reduced its debt-to-capital ratio from 34.5% at 2018 end. Also, Amarin's long-term debt level was zero as of June end. The company's cash, cash equivalents, and marketable securities of approximately \$554 million at the end of June 2020 should be sufficient to pay the debt in case of insolvency.

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Amarin's only marketed drug Vascepa has been generating strong sales over the last four years in the United States. Its label expansion approval is encouraging.

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## Reasons To Sell:

▼ **Overdependence on Vascepa:** Amarin has no approved product in its portfolio other than Vascepa at the moment. The company is completely dependent on the drug for revenues and future growth. Any commercial setback or rise in competition will be a setback for the company. In March 2020, the company received a setback when Nevada district court ruled in favor of generic companies seeking approval for generic version of Vascepa for treating hypertriglyceridemia. It has appealed against the ruling. Meanwhile, the FDA approved Hikma's generic version of Vascepa in May 2020. An unfavorable outcome of the appeal will significantly dent the company's prospects, as it will allow generics to be launched which can erode Vascepa's sales.

On its second-quarter earnings call, Amarin stated that revenue and prescription growth for Vascepa was slower than the past few quarters. The decline in pace was due to lower patient visits to medical offices and lower number of routine lab tests amid travel and mobility restrictions related to COVID-19. The company stated that patient visits to physicians remained approximately 35% below pre-COVID-19 levels during the week ending Jul 3 per IQVIA. These factors are likely to lead to decline in pace of sales growth in the rest of 2020.

▼ **Competition in Targeted Market:** Although Vascepa reduces risk of cardiovascular events by lowering TG levels, it may face competition from LDL-C lowering drugs and statins. Moreover, AstraZeneca also has an omega-3 based drug, Epanova, approved as an adjunct to diet to reduce triglyceride levels in adults with severe hypertriglyceridemia. Acasti Pharma is also developing its omega-3 based candidate, CaPre, for treating severe hypertriglyceridemia and also has potential to treat patients with mild-to-moderate TG levels. Matinas BioPharma is also developing a candidate targeting hypertriglyceridemia and mixed dyslipidemia. Successful development will increase competition for Vascepa. Other drugs, which may provide competition to Vascepa, include generic version of Tricor, Trilipix and Lovaza.

▼ **Pipeline Setback:** Gaining approval for pipeline candidates has become more difficult with an increasingly stringent regulatory environment. Any unfavorable outcome on the regulatory front or in future development programs will have an adverse impact on the shares. We note that Amarin is no stranger to regulatory setbacks. In 2015, the company had received a complete response letter to a label expansion application for Vascepa seeking approval in patients with mixed dyslipidemia, based on data from the ANCHOR study.

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Amarin's sole dependence on Vascepa for growth is a concern. Any setback to Vascepa will have an unfavorable impact. Lack of pipeline candidates is another woe.

## Last Earnings Report

### Amarin's Q2 Earnings Beat Estimates, Sales Miss

Amarin reported second-quarter 2020 adjusted earnings of 4 cents (excluding stock-based compensation) per American depositary share in contrast to the Zacks Consensus Estimate of a loss of 4 cents. The company had recorded adjusted earnings of 2 cents in the year-ago period.

Revenues, primarily from its cardiovascular drug, Vascepa, were up almost 34.3% year over year to \$135.3 million in the quarter, missing the Zacks Consensus Estimate of \$149.86 million.

Quarter Ending **06/2020**

Report Date	<b>Aug 04, 2020</b>
Sales Surprise	<b>-9.70%</b>
EPS Surprise	<b>200.00%</b>
Quarterly EPS	<b>0.04</b>
Annual EPS (TTM)	<b>0.06</b>

### Quarter in Details

Product revenues, entirely from Vascepa, were \$133.7 million, up 33.2% year over year. Strong demand for the drug continues to drive sales higher. Sales in ex-U.S. market, primarily from Canada, were \$1.8 million.

Per IQVIA, normalized prescriptions for Vascepa increased approximately 44% year over year in the United States.

However, sales were down 12.2% sequentially. We note that revenue and prescription growth for Vascepa was slower than the past few quarters. The decline in pace was due to lower patient visits to medical offices and lower number of routine lab tests amid travel and mobility restrictions related to COVID-19. The company stated that patient visits to physicians remained approximately 35% below pre-COVID-19 levels during the week ending Jul 3 per IQVIA.

Licensing revenues were \$1.6 million in the second quarter compared with \$0.4 million in the year-ago period.

Adjusted selling, general and administrative expenses were up 23.6% to \$82.3 million due to costs related to an expanded sales force, partially offset by decrease in consumer-focused promotion.

Adjusted research & development expenses surged 34.6% to \$8.2 million due to further analysis of samples collected from REDUCE-IT patients, payment of milestone to its partner and costs to support various publications and pilot studies.

The company ended the quarter with \$611.3 million in cash and investments, compared with \$623.7 million as of Mar 31, 2020.

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## Recent News

### Investigator-Initiated Study to Evaluate Vascepa for COVID-19 – Aug 7

Amarin announced that it is supporting an investigator-initiated clinical study, which will evaluate Vascepa as a potential treatment for viral upper respiratory infection, especially patients with COVID-19.

### Announces Commercial Plan for Vascepa in Europe – Aug 4

Amarin announced that it plans to launch Vascepa in Europe, following a potential approval, through its own dedicated European commercial organization. The company has successfully included Vascepa in the medical treatment guidelines of the European Society of Cardiology and the European Atherosclerosis Society. The company is conducting market analysis and payor access research in order to grab the market opportunity and prepare for the reimbursement negotiations in various countries. It has also recruited Karim Mikhail as senior vice president, commercial head Europe, who has decades of experience related to commercial strategy.

### Settles Patent Litigation With Apotex – Jun 16

Amarin announced that it has entered into a settlement agreement with Apotex resolving patent litigation related to Vascepa. Apotex has previously filed an abbreviated NDA seeking approval for a generic version of Vascepa.

The agreement will allow Apotex to market a generic version of Vascepa not earlier than Aug 9, 2029.

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## Valuation

Amarin's shares are down 64.3% in the year-to-date period and 50.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 1.3% and stocks in the Zacks sector are up 0.3% in the year-to-date period. Over the past year, stocks in the sub-industry and the sector are up 14.1% and 8.6%, respectively.

The S&P 500 Index is up 8.1% in the year-to-date period and 19.4% in the past year.

The stock is currently trading at 5.59X trailing 12-month sales per share which compares to 3.09X for the Zacks sub-industry, 3.13X for the Zacks sector and 3.85X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 33.02X and as low as 2.82X, with a 5-year median of 5.73X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$8.25 price target reflects 6.04X trailing 12-month sales per share.

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## Industry Analysis Zacks Industry Rank: Bottom 29% (178 out of 252)



## Top Peers

Company (Ticker)	Rec	Rank
Acasti Pharma, Inc. (ACST)	Neutral	2
Alnylam Pharmaceuticals, Inc. (ALNY)	Neutral	3
Amgen Inc. (AMGN)	Neutral	3
AstraZeneca PLC (AZN)	Neutral	3
Ionis Pharmaceuticals, Inc. (IONS)	Neutral	3
Eli Lilly and Company (LLY)	Neutral	3
Regeneron Pharmaceuticals, Inc. (REGN)	Neutral	2
Sanofi (SNY)	Neutral	3

Industry Comparison Industry: Medical - Biomedical And Genetics				Industry Peers		
	AMRN	X Industry	S&P 500	ACST	AZN	IONS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	3
VGM Score	B	-	-	D	B	F
Market Cap	2.95 B	274.30 M	23.67 B	65.44 M	147.25 B	7.35 B
# of Analysts	3	3	14	3	5	10
Dividend Yield	0.00%	0.00%	1.64%	0.00%	1.57%	0.00%
Value Score	D	-	-	F	C	C
Cash/Price	0.21	0.23	0.07	0.17	0.04	0.32
EV/EBITDA	-179.61	-3.52	13.33	-2.41	23.25	13.09
PEG Ratio	NA	1.73	3.05	NA	1.66	NA
Price/Book (P/B)	4.94	4.04	3.18	5.93	10.78	4.61
Price/Cash Flow (P/CF)	NA	17.08	12.81	NA	17.72	21.65
P/E (F1)	184.75	24.91	21.68	NA	27.67	NA
Price/Sales (P/S)	5.39	15.03	2.50	NA	5.73	7.81
Earnings Yield	0.52%	-13.16%	4.43%	-39.44%	3.62%	-0.97%
Debt/Equity	0.00	0.02	0.74	0.01	1.14	0.50
Cash Flow (\$/share)	-0.06	-1.08	6.94	-0.19	3.17	2.43
Growth Score	B	-	-	C	A	F
Hist. EPS Growth (3-5 yrs)	NA%	19.03%	10.41%	NA	-2.71%	NA
Proj. EPS Growth (F1/F0)	83.34%	15.96%	-4.94%	-23.19%	15.89%	-124.62%
Curr. Cash Flow Growth	-82.27%	13.93%	5.22%	-51.98%	2.12%	-22.36%
Hist. Cash Flow Growth (3-5 yrs)	12.50%	7.73%	8.50%	NA	-0.86%	126.64%
Current Ratio	2.92	6.04	1.35	2.34	0.82	10.94
Debt/Capital	0.00%	3.39%	43.86%	0.50%	53.34%	33.52%
Net Margin	-2.30%	-205.02%	10.25%	NA	8.36%	13.81%
Return on Equity	-2.16%	-59.07%	14.66%	-578.16%	37.72%	10.27%
Sales/Assets	0.61	0.19	0.50	NA	0.43	0.31
Proj. Sales Growth (F1/F0)	45.39%	1.00%	-1.43%	625.76%	7.75%	-36.65%
Momentum Score	B	-	-	C	D	F
Daily Price Chg	8.37%	-1.00%	0.43%	5.44%	-1.56%	0.57%
1 Week Price Chg	0.73%	0.00%	-1.45%	7.84%	0.94%	-0.21%
4 Week Price Chg	15.93%	-1.51%	3.75%	11.72%	-3.07%	-10.86%
12 Week Price Chg	13.02%	-0.90%	3.95%	-10.63%	4.16%	-5.82%
52 Week Price Chg	-50.49%	5.90%	2.75%	-60.50%	23.54%	-17.93%
20 Day Average Volume	6,012,877	309,357	1,887,168	3,809,454	3,968,072	690,959
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	46.15%	0.00%	0.79%	24.11%	-0.29%	-7.34%
(F1) EPS Est 12 week change	30.00%	1.20%	3.43%	30.89%	0.50%	-6.89%
(Q1) EPS Est Mthly Chg	140.00%	0.00%	0.00%	0.00%	-1.92%	-119.44%

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	B
Momentum Score	B
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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### Disclosures

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