

Pacira BioSciences (PCRX)

\$60.31 (As of 08/27/20)

Price Target (6-12 Months): **\$70.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 07/29/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: F

Summary

Pacira missed on earnings in the second quarter while revenues met estimates. The company changed its name to Pacira BioSciences after acquiring MyoScience in 2019 following which, it added the latter's iovera system to its portfolio. Pacira's top line mainly comprises contribution from its marketed drug Exparel. The drug's label expansion to include administration via nerve block for prolonged regional analgesia is expected to further boost sales in the days ahead. Pacira's agreement with Nuance for the development and commercialization of Exparel in China is a tailwind too. However, it remains heavily dependent on Exparel for growth, which is a concern. Thus, any regulatory setback for the drug will severely hurt the stock in the future. Shares have outperformed the industry year to date.

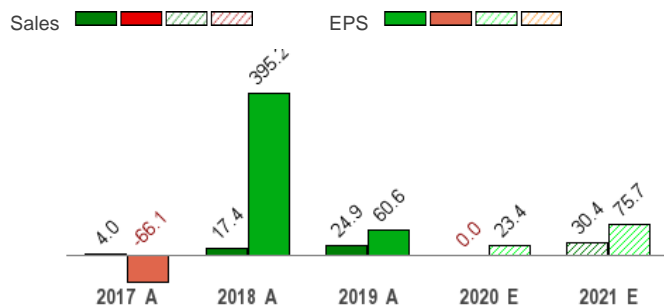
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$64.44 - \$27.46
20 Day Average Volume (sh)	745,932
Market Cap	\$2.6 B
YTD Price Change	33.1%
Beta	1.29
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Drugs
Zacks Industry Rank	Bottom 32% (171 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-25.0%
Last Sales Surprise	-0.0%
EPS F1 Est- 4 week change	9.3%
Expected Report Date	11/05/2020
Earnings ESP	-7.8%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	118 E	124 E	129 E	139 E	549 E
2020	106 A	76 A	110 E	130 E	421 E
2019	91 A	103 A	105 A	122 A	421 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.62 E	\$0.73 E	\$0.77 E	\$0.93 E	\$3.62 E
2020	\$0.53 A	\$0.12 A	\$0.61 E	\$0.78 E	\$2.06 E
2019	\$0.22 A	\$0.41 A	\$0.48 A	\$0.56 A	\$1.67 A

*Quarterly figures may not add up to annual.

P/E TTM	35.7
P/E F1	29.3
PEG F1	1.3
P/S TTM	6.3

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.

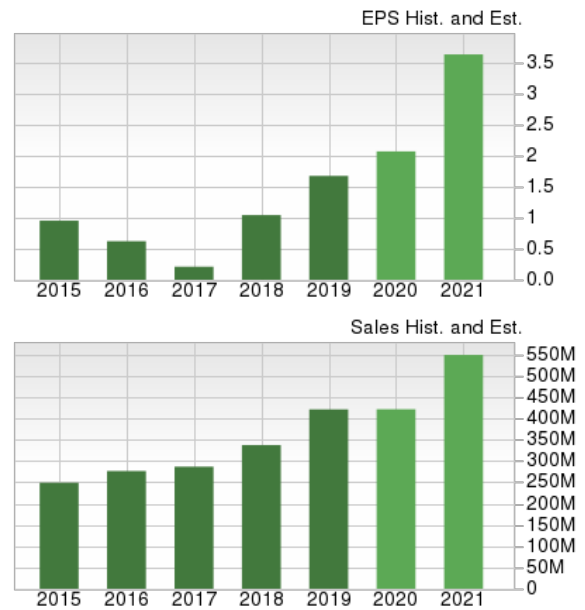
Overview

Parsippany, NJ-based Pacira BioSciences, Inc. is a specialty pharmaceutical company focused on the development, commercialization and manufacture of proprietary pharmaceutical products primarily for use in hospitals and ambulatory surgery centers. These products are developed using the company's proprietary DepoFoam drug delivery technology. Pacira changed its name to Pacira BioSciences following the acquisition of MyoScience in April 2019.

The company's flagship product Exparel was launched in 2012. Exparel is a liposome injection of bupivacaine, which is indicated for single-dose administration into the surgical site to produce postsurgical analgesia. In 2012, the company signed a licensing agreement with Aratana for the development and commercialization of Exparel for animal health indications. In 2017, Pacira signed an agreement with DePuy Synthes Sales Inc. (a subsidiary of J&J) to market and promote the use of Exparel for orthopedic procedures in the United States' market. Notably, in July 2020, Pacira concluded its partnership agreement with DePuy Synthes Sales. Exparel generated sales worth \$407.9 million in 2019.

In June 2017, the company's board of directors approved a decision to discontinue all future production of DepoCyt(e) indicated for intrathecal treatment of lymphomatous meningitis. The company made the decision due to persistent technical issues specific to the DepoCyt(e) manufacturing process.

In 2019, Pacira generated total revenues of \$421 million, up 25% year over year.



Reasons To Buy:

▲ **Share Price Outperformance:** Shares of Pacira have outperformed the industry so far this year.

▲ **Exparel, the Growth Driver:** Demand for Exparel has been strong since its launch in April 2012, driven by growth within existing accounts along with increasing acceptance by major hospitals and orthopedic centers as it continues to be used in orthopedic procedures. Exparel revenues grew 23.2% year-over-year in 2019. Continued adoption of Exparel for transversus abdominis plane (TAP), infiltration procedures for abdominal and genitourinary surgeries should boost sales. In June 2019, the European Medicines Agency accepted the marketing authorization application for Exparel as a medicine to treat postsurgical analgesia. Further, an opinion from the Committee for Medicinal Products for Human Use is expected in the second half of 2020.

Exparel has been performing well since its launch in April 2012. Pacira is looking to expand Exparel's label in the animal health market as well.

▲ **Label Expansion of Exparel:** In August 2020, the FDA accepted Pacira's supplemental new drug application (sNDA) seeking an expansion of the Exparel's label to include single-dose infiltration for providing postsurgical analgesia in children aged six years and above. The sNDA filing was based on positive data from the PLAY study. The regulatory body set an action date of Mar 22, 2021. There are currently no approved alternatives to opioids for managing severe post-surgical pain in pediatric patients.

Notably, Pacira is advancing Exparel in phase IV studies to expand its utilization in areas like cesarean section, spine and hip fracture.

In January 2020, Pacira announced that its phase IV study on Exparel, which evaluated patients undergoing Cesarean section (C-section), met the primary endpoint with a statistically significant decrease in total postsurgical opioid consumption all through 72 hours. Patient recruitment is also underway in a second C-section study (known as CHOICE). The study is designed to evaluate a completely opioid-free arm with Exparel including opioid-free spinal anesthesia. Moreover, the company is enrolling patients in another phase IV FUSION study for spine surgeries.

▲ **Strategic Collaborations and Educational initiatives:** Pacira have a collaboration with the Cancer Treatment Centers of America, the Illinois Surgical Quality Improvement Collaborative, WellStar Health Systems and the University of Tennessee Medical Center are raising awareness around opioid alternatives and minimizing opioid use through a variety of joint initiatives. Meanwhile, in 2018, Pacira inked a deal with China-based Nuance for the development and commercialization of Exparel in China.

In April 2019, Pacira acquired the privately held MyoScience, Inc. following which, it added the latter's iovera system to its portfolio, which is highly complementary to Exparel as a non-opioid therapy.

▲ **Expansion Into Animal Health Market:** Pacira is looking to expand Exparel's label in the animal health market as well. In 2012, the company signed a licensing agreement with Aratana for the development and commercialization of Exparel for animal health indications. Expansion into the animal health market will diversify Exparel's franchise and boost its commercial potential. There has been a steady rise in sales year over year from the bupivacaine liposome injectable suspension to Aratana for use in animals. This paves the way for royalty revenues, which are the royalties earned on Exparel sales to Aratana.

▲ **DepoFoam Platform for New Clinical Candidates:** DepoFoam drug delivery technology consists of microscopic spherical particles composed of numerous internal aqueous chambers containing an active drug ingredient. With the safety profile of DepoFoam platform, Pacira is advancing a development plan for intrathecal or subarachnoid delivery of a non-opioid analgesic for acute, sub-acute and chronic pain. The company also has several DepoFoam-based products in clinical development.

Risks

- **Heavily Dependent on Exparel:** Pacira's top line mainly comprises contribution from its marketed product. The company is heavily dependent on Exparel for growth, which accounts for a significant chunk of its revenues. Exparel contributed 96.8% to total revenues in 2019. Hence, a decline in Exparel sales will adversely impact the company's top line. Meanwhile, in the second quarter of 2020, Exparel sales were \$73 million, down 26% from \$98.9 million in the year-ago quarter. This is a worry for the company.
 - **Pipeline Setbacks:** Pacira is not new to pipeline setbacks. The company suffered a major blow in 2015 when it received a Complete Response Letter (CRL) from the FDA for its supplemental New Drug Application (sNDA) for Exparel. Pacira was seeking to expand the use of Exparel in nerve block to provide postsurgical analgesia. However, following a meeting with the FDA, the company initiated additional phase III studies and resubmitted a sNDA in October 2017. In February 2018, the FDA's Anesthetic and Analgesic Drug Products Advisory Committee's (AADPAC) reviewed the company's sNDA, and voted six to four against approval of the expanded indication. Any similar setbacks will adversely impact the company's shares. We are also concerned about the lack of other candidates in the company's pipeline.
 - **Unfavorable Debt Profile:** Pacira has an unfavorable debt profile. As of Jun 30, 2020, the company's total debt (current and long-term debt) was approximately \$396 million. The company's cash, cash equivalents and marketable securities were nearly \$327 million as of the June end. Although the company has enough resources to pay off its short-term debt (\$8 million), its total debt exceeds its total assets, which may cause bankruptcy. Moreover, the company's total debt to total capital ratio of 50.5 as of June end demonstrates an increase from 48.6 at March end.
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Last Earnings Report

Pacira's Q2 Earnings Miss Estimates, Revenues In Line

Pacira reported second-quarter 2020 earnings of 12 cents per share, missing the Zacks Consensus Estimate of 16 cents and also decreasing from the year-ago figure of 41 cents.

Total revenues also declined 26% from the year-earlier figure of \$102.6 million to \$75.5 million in the reported quarter. Meanwhile, revenues were in line with the Zacks Consensus Estimate.

Quarter in Detail

Pacira's top line mainly comprises product revenues, other product sales and royalty revenues.

Exparel net product sales were \$73 million, down 26% from \$98.9 million in the year-ago quarter.

Exparel/bupivacaine liposome injectable suspension sales came in at \$0.8 million compared with \$0.9 million in the year-ago quarter.

Though the newly-added product iovera system generated sales worth \$1.4 million in the second quarter of 2020, the figure reflects a sequential decline of 39.1%.

Meanwhile, royalty revenues came in at \$0.3 million in the reported quarter, down 62.5% year over year.

Research and development (R&D) expenses (excluding stock-based compensation) fell 25.9% to \$12.3 million.

Selling, general and administrative (SG&A) expenses (excluding stock-based compensation) decreased 16% year over year to \$36.8 million in the reported quarter.

2020 Outlook

Due to the prevalent COVID-19 pandemic situation, the company does not have enough visibility to forecast its adverse impact. As a result, Pacira is currently not providing full-year financial guidance.

Quarter Ending **06/2020**

Report Date	Aug 06, 2020
Sales Surprise	-0.03%
EPS Surprise	-25.00%
Quarterly EPS	0.12
Annual EPS (TTM)	1.69

Recent News

FDA Accepts sNDA for Exparel in Pediatric Patients — Aug 4

Pacira announced that the FDA has accepted its supplemental new drug application (sNDA) seeking an expansion of the Exparel's label to include single-dose infiltration for providing postsurgical analgesia in children aged six years and above. The regulatory body set a target action date of Mar 22, 2021.

Provides Preliminary Results for Second Quarter – Jul 6

Pacira reported preliminary net sales of \$75.5 million for the quarter, ahead of the Zacks Consensus Estimate of \$54.1 million. However, revenues were down 26.4% year over year as the company's product sales were negatively impacted by the COVID-19 pandemic.

Preliminary net product sales of Exparel were \$73.8 million, down 26% from \$99.8 million in the year-ago quarter.

Exparel/bupivacaine liposome injectable suspension was \$0.8 million compared with \$0.9 million reported in the year-ago quarter.

Newly-added product iovera system generated sales worth \$1.4 million in the quarter compared with \$2 million a year ago.

Preliminary royalty revenues came in at \$0.3 million in the reported quarter compared with \$0.8 million a year earlier.

To Close Exparel Agreement with Depuy Synthes – Jul 2

Pacira announced that its agreement with DePuy Synthes Sales Inc. for jointly marketing and promoting the use of Exparel (bupivacaine injectable suspension) for orthopedic procedures in the United States will terminate on Jan 2, 2021.

Valuation

Pacira's shares are up 33.1% in the year-to-date period and 61.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are down 6.8% and up 0.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 1.6% while the sector is up 8.9%.

The S&P 500 index is up 8.2% in the year-to-date period and up 19.5% in the past year.

The stock is currently trading at 6.24X trailing 12-month sales per share, which compares to 2.22X for the Zacks sub-industry, 3.14X for the Zacks sector and 3.86X for the S&P 500 index.

Over the past five years, the stock has traded as high as 13.49X and as low as 2.82X, with a 5-year median of 5.30X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$70.00 price target reflects 7.24X trailing 12-month sales per share.

The table below shows summary valuation data for PCRX

Valuation Multiples - PCRX					
		Stock	Sub-Industry	Sector	S&P 500
P/S TTM	Current	6.24	2.22	3.14	3.86
	5-Year High	13.49	4.31	3.82	3.86
	5-Year Low	2.82	1.71	2.29	2.44
	5-Year Median	5.3	2.56	3.19	3.23
P/B TTM	Current	6.55	1.57	3.85	4.71
	5-Year High	13.96	13.39	5.07	4.71
	5-Year Low	3.34	1.02	2.94	2.83
	5-Year Median	5.84	2.44	4.29	3.76

As of 08/27/2020

Industry Analysis Zacks Industry Rank: Bottom 32% (171 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Alkermes plc (ALKS)	Neutral	3
Heron Therapeutics, Inc. (HRTX)	Neutral	3
Eli Lilly and Company (LLY)	Neutral	3
MerckCo., Inc. (MRK)	Neutral	3
MyoKardia, Inc. (MYOK)	Neutral	3
Novartis AG (NVS)	Neutral	3
Pfizer Inc. (PFE)	Neutral	3
Teva Pharmaceutical Industries Ltd. (TEVA)	Neutral	3

Industry Comparison Industry: Medical - Drugs				Industry Peers		
	PCRX	X Industry	S&P 500	ALKS	LLY	NVS
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	3
VGM Score	F	-	-	B	A	B
Market Cap	2.58 B	142.81 M	23.67 B	2.57 B	142.49 B	199.12 B
# of Analysts	7	3	14	9	5	5
Dividend Yield	0.00%	0.00%	1.64%	0.00%	1.99%	2.31%
Value Score	D	-	-	C	B	B
Cash/Price	0.13	0.27	0.07	0.20	0.02	0.03
EV/EBITDA	55.08	-2.50	13.33	-22.47	23.88	14.02
PEG Ratio	1.27	1.16	3.05	62.01	1.31	1.86
Price/Book (P/B)	6.54	3.03	3.18	2.42	33.35	3.70
Price/Cash Flow (P/CF)	34.92	11.19	12.81	27.84	21.03	11.02
P/E (F1)	29.28	17.31	21.68	165.58	20.43	15.22
Price/Sales (P/S)	6.31	6.31	2.50	2.22	6.21	4.13
Earnings Yield	3.42%	-16.59%	4.43%	0.62%	4.89%	6.57%
Debt/Equity	1.00	0.02	0.74	0.26	3.53	0.48
Cash Flow (\$/share)	1.73	-0.53	6.94	0.58	7.08	7.90
Growth Score	F	-	-	B	A	B
Hist. EPS Growth (3-5 yrs)	74.22%	6.78%	10.41%	NA	17.69%	2.64%
Proj. EPS Growth (F1/F0)	23.61%	18.69%	-4.94%	-86.23%	20.73%	9.12%
Curr. Cash Flow Growth	83.37%	2.87%	5.22%	-4.72%	-7.51%	4.27%
Hist. Cash Flow Growth (3-5 yrs)	69.95%	6.17%	8.50%	-0.32%	9.27%	7.11%
Current Ratio	6.46	3.80	1.35	2.95	1.22	0.81
Debt/Capital	49.99%	4.26%	43.86%	20.46%	77.91%	32.25%
Net Margin	-2.47%	-115.25%	10.25%	-10.87%	24.48%	14.96%
Return on Equity	10.27%	-63.10%	14.66%	4.47%	183.80%	24.14%
Sales/Assets	0.49	0.29	0.50	0.65	0.57	0.40
Proj. Sales Growth (F1/F0)	0.08%	0.00%	-1.43%	-15.19%	6.78%	5.28%
Momentum Score	F	-	-	A	B	F
Daily Price Chg	-0.48%	-0.83%	0.43%	0.22%	-0.19%	-0.03%
1 Week Price Chg	-0.54%	-0.55%	-1.45%	-8.03%	-0.55%	2.07%
4 Week Price Chg	13.53%	-4.81%	3.75%	-12.01%	-2.63%	3.29%
12 Week Price Chg	28.54%	-3.87%	3.95%	-3.80%	-1.15%	2.21%
52 Week Price Chg	61.91%	-3.62%	2.75%	-22.87%	32.71%	-2.26%
20 Day Average Volume	745,932	326,261	1,887,168	1,007,926	2,549,564	1,641,616
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	9.32%	0.36%	0.79%	45.61%	7.00%	0.78%
(F1) EPS Est 12 week change	27.88%	2.97%	3.43%	50.53%	7.10%	1.45%
(Q1) EPS Est Mthly Chg	12.55%	0.00%	0.00%	62.70%	-0.75%	0.00%

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.

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	F
Momentum Score	F
VGM Score	F

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.

Disclosures

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