



Rating
Buy

North America
United States

Health Care
Biotechnology

Company
Retrophin

Reuters
RTRX.OQ

Bloomberg
RTRX US

Exchange
NMS

Ticker
RTRX

Date
27 May 2015

Breaking News

Price at 26 May 2015 (USD)	26.87
Price target	52.00
52-week range	26.98 - 8.09

Agrees to sell PRV for \$245M, new TP of \$52

Retrophin agrees to sell its PRV to SNY for \$245M, new TP of \$52

This morning RTRX announced that it plans to sell the rare pediatric priority review voucher acquired with the approval of Cholbam to Sanofi for \$245M. The company will receive \$150M when the deal closes (no timing was provided by the company; we assume at some point during 3Q15), and two additional payments of \$47.5M in 2016 and 2017. The company has previously disclosed that it plans to use the proceeds for its late-stage pipeline and/or for business development. We are raising our TP to \$52 to account for the transaction. Reiterate BUY.

Prior vouchers sold for \$67.5M and \$125M.

This is the highest price paid for a voucher to our knowledge and demonstrates their scarcity. We note that UTHR is the only other company to have one of these vouchers in its possession.

The company sold the voucher for \$145M over our projected sale price of \$100M. A sale of \$100M was worth approx \$1.4/sh to our DCF. The additional \$145M is approx \$2/sh to our DCF.

Reiterate BUY, new TP of \$52. Valuation and risks:

We value RTRX using a probability-adjusted DCF analysis with a 10% discount rate. We extend our estimates to 2029 and use a 2% terminal growth rate. Risks: 1) Base business sales risk, 2) Sparsentan / other pipeline products fail, 3) Regulatory risk, and 4) Reimbursement risk.

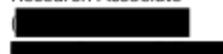
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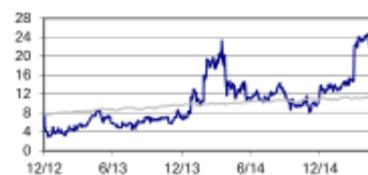


Key changes

Price target	50.00 to 52.00	↑	4.0%
EPS (USD)	0.96 to 1.65	↑	71.5%

Source: Deutsche Bank

Price/price relative



Performance (%)	1m	3m	12m
Absolute	8.6	80.3	95.7
S&P 500 INDEX	-0.6	-0.3	10.7

Source: Deutsche Bank

Deutsche Bank Securities Inc.

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Model updated: 27 May 2015

Running the numbers

North America

United States

Biotechnology

Retrophin

Reuters: RTRX.OO

Bloomberg: RTRX US

Buy

Price (26 May 15) USD 26.87

Target Price USD 52.00

52 Week range USD 8.09 - 26.98

Market Cap (m) USDm 949

EURm 871

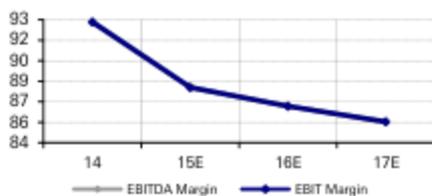
Company Profile

Retrophin is a biopharmaceutical company focused on discovering, developing and marketing innovative therapies for debilitating and often life-threatening diseases.

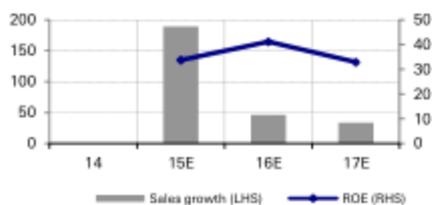
Price Performance



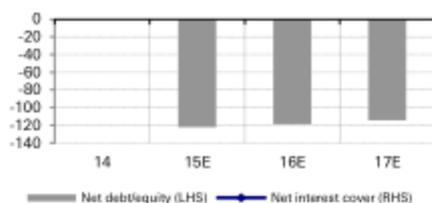
Margin Trends



Growth & Profitability



Solvency



Robyn Karnauskas

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Fiscal year end 31-Dec

2014 2015E 2016E 2017E

Financial Summary

DB EPS (USD)	-2.51	1.65	1.00	1.08
Reported EPS (USD)	0.84	0.63	2.13	2.19
DPS (USD)	0.00	0.00	0.00	0.00
BVPS (USD)	-1.49	6.07	7.88	9.86

Valuation Metrics

Price/Sales (x)	11.2	11.6	8.0	5.9
P/E (DB) (x)	nm	16.3	26.9	24.8
P/E (Reported) (x)	15.0	42.6	12.6	12.3
P/BV (x)	nm	4.4	3.4	2.7
FCF yield (%)	29.3	4.9	13.7	13.2
Dividend yield (%)	0.0	0.0	0.0	0.0
EV/Sales	10.2	8.3	5.0	3.3
EV/EBITDA	11.0	9.4	5.8	3.8
EV/EBIT	11.0	9.4	5.8	3.8

Income Statement (USDm)

Sales	28	81	119	160
EBITDA	26	72	103	136
EBIT	26	72	103	136
Pre-tax profit	29	72	103	136
Net income	31	30	103	108

Cash Flow (USDm)

Cash flow from operations	96	50	139	137
Net Capex	-4	-4	-4	-4
Free cash flow	92	46	135	133
Equity raised/(bought back)	38	150	0	0
Dividends paid	0	0	0	0
Net inc/(dec) in borrowings	38	0	0	0
Other investing/financing cash flows	-33	0	0	0
Net cash flow	135	196	135	133
Change in working capital	60	-4	10	2

Balance Sheet (USDm)

Cash and cash equivalents	18	262	342	420
Property, plant & equipment	1	5	8	11
Goodwill	0	0	0	0
Other assets	117	109	109	109
Total assets	135	375	459	541
Debt	0	0	0	0
Other liabilities	173	161	171	173
Total liabilities	173	161	171	173
Total shareholders' equity	-37	214	288	368
Net debt	-18	-262	-342	-420

Key Company Metrics

Sales growth (%)	nm	189.0	46.3	33.8
DB EPS growth (%)	na	na	-39.4	8.2
Payout ratio (%)	0.0	0.0	0.0	0.0
EBITDA Margin (%)	92.8	88.0	86.7	85.5
EBIT Margin (%)	92.8	88.0	86.7	85.5
ROE (%)	nm	33.8	41.2	32.9
Net debt/equity (%)	nm	-122.2	-118.8	-114.3
Net interest cover (x)	nm	nm	nm	nm

DuPont Analysis

EBIT margin (%)	92.8	88.0	86.7	85.5
x Asset turnover (x)	0.2	0.3	0.3	0.3
x Financial cost ratio (x)	1.0	1.0	1.0	1.0
x Tax and other effects (x)	1.2	0.4	1.0	0.8
= ROA (post tax) (%)	22.9	11.7	24.8	21.6
x Financial leverage (x)	-3.6	2.9	1.7	1.5
= ROE (%)	-83.2	33.8	41.2	32.9
annual growth (%)	na	na	21.9	-20.1
x NTA/share (avg) (x)	-1.0	1.9	5.2	6.7
= Reported EPS	0.84	0.63	2.13	2.19
annual growth (%)	na	-24.6	237.1	2.7

Source: Company data, Deutsche Bank estimates



RTRX DCF

Figure 1: RTRX DCF

DB BIOTECH: RETROPHIN DCF													DCF = \$52			
Robyn Karauskas, PhD																
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DB BIOTECH: RTRX - DISCOUNTED CASH FLOW																
	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	TV
EBT	\$127	\$49	\$82	\$43	\$174	\$219	\$305	\$413	\$529	\$660	\$865	\$546	\$564	\$582	\$358	
less: Taxes	(\$44)	\$0	(\$29)	(\$15)	(\$61)	(\$77)	(\$107)	(\$144)	(\$185)	(\$231)	(\$303)	(\$191)	(\$197)	(\$204)	(\$125)	
tax rate	35.0%	0.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	
add: ████████	\$0	\$0	\$1	\$1	\$1	\$2	\$2	\$2	\$2	\$2	\$3	\$3	\$3	\$3	\$3	
less: Net working capital	(\$3)	\$10	\$2	\$11	\$8	\$1	\$17	\$13	\$12	\$11	(\$10)	(\$67)	\$0	\$0	(\$13)	
less: Capital Expenditures	(\$3)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	
Operating Free Cash Flow	\$76	\$55	\$52	\$36	\$119	\$141	\$214	\$279	\$354	\$439	\$550	\$287	\$366	\$378	\$218	\$2,785
Growth		-28%	-6%	-30%	228%	18%	52%	31%	27%	24%	26%	-48%	28%	3%	-42%	
Discount Period	0	0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.75	11.75	12.75	13.75	13.75
Discount Factor	1.00	0.93	0.85	0.77	0.70	0.64	0.58	0.53	0.48	0.43	0.39	0.36	0.33	0.30	0.27	0.27
Present value of Cash Flows	\$76	\$51	\$44	\$28	\$83	\$90	\$123	\$147	\$169	\$190	\$217	\$103	\$119	\$112	\$59	\$751
Terminal growth rate =	2.0%															
Discount Rate	10.0%															
NPV Cash Flows (\$M)	\$1,612															
NPV TV (\$M)	\$751															
NPV Total (\$M)	\$2,364															
Net Cash/(Debt)	\$85															
Net cash/share	\$2															
\$/ Share of terminal value	\$16															
TV as % of total value	31%															
NPV Cash Flows + TV	\$52															
Shares outstanding	47															

Source: Deutsche Bank



RTRX P&L

Figure 2: P&L

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Base Business Revenues																	
Total RTR Sales (Unadjusted)	\$4	\$1.9	\$1.1	\$1.0	\$1.1	\$4.0	\$12.0	\$14.8	\$15.0	\$14.4	\$12.0	\$10.0	\$8.0	\$5.0	\$3.0	\$2.0	\$1.0
Growth		30%	30%	8%	100%	84%	88%	38%	33%	24%	16%	10%	7%	4%	3%	2%	1%
Probability of LT sales		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total RTR Sales (Adjusted)	\$1.9	\$1.1	\$1.0	\$1.1	\$4.0	\$12.0	\$14.8	\$15.0	\$14.4	\$12.0	\$10.0	\$8.0	\$5.0	\$3.0	\$2.0	\$1.0	\$0.9
Impact on Drug cost of period		99%	72%	80%	91%	91%	90%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Growth		34%	30%	3%	2%	-2%	116%	8%	30%	28%	16%	9%	9%	3%	2%	2%	2%
Chemical																	
Total	\$2.1	\$7	\$7	\$7	\$7	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
Growth		1%	1%	1%	1%	2%	-2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Chubben																	
Total	\$0	\$1	\$1	\$1	\$1	\$0	\$1.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
Growth							200%	18%	14%	14%	10%	7%	7%	4%	4%	4%	4%
Total Base Business Revenues	\$2.9	\$1.7	\$1.9	\$2.2	\$2.4	\$6.0	\$17.0	\$19.0	\$20.0	\$19.0	\$16.0	\$14.0	\$12.0	\$9.0	\$7.0	\$5.0	\$3.0
Growth						100%	68%	20%	20%	-20%	12%	8%	7%	4%	3%	2%	2%
Pipeline																	
Operations for P205 (Unadjusted)																	
Probability of Success							76%	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%
Operations Adjusted Sales							\$0	\$100	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Growth								100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
IG-024 for RMAH (Unadjusted)																	
Probability of Success							20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
IG-024 for RMAH Adjusted Sales							\$0	\$10	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Growth								100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total Pipeline Adjusted Revenues						\$0	\$0	\$0	\$0	\$100	\$220	\$220	\$220	\$220	\$220	\$220	\$220
Total Product Revenues to Retrophin (pipeline adjusted)	\$2.9	\$1.7	\$1.9	\$2.2	\$2.4	\$6.0	\$17.0	\$19.0	\$20.0	\$19.0	\$16.0	\$14.0	\$12.0	\$9.0	\$7.0	\$5.0	\$3.0
Operating Expenses - Base Business																	
Cost of Goods																	
Base COGS	\$1	\$0.3	\$0.4	\$0.4	\$0.5	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
% of Sales	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Growth																	
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Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Retrophin	RTRX.OQ	26.87 (USD) 26 May 15	1,6,7,8,9

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr>.

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Historical recommendations and target price: Retrophin (RTRX.OQ)
 (as of 5/26/2015)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9,2002

1. 04/28/2015: Upgrade to Buy, Target Price Change USD50.00

Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

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2. Ratings definitions prior to 27 January, 2007 were:

Buy: Expected total return (including dividends) of 10% or more over a 12-month period

Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships





Regulatory Disclosures

1. Important Additional Conflict Disclosures

Aside from within this report, important conflict disclosures can also be found at [REDACTED] under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

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Macroeconomic fluctuations often account for most of the risks associated with exposures to instruments that promise to pay fixed or variable interest rates. For an investor who is long fixed rate instruments (thus receiving these cash flows), increases in interest rates naturally lift the discount factors applied to the expected cash flows and thus cause a loss. The longer the maturity of a certain cash flow and the higher the move in the discount factor, the higher will be the loss. Upside surprises in inflation, fiscal funding needs, and FX depreciation rates are among the most common adverse macroeconomic shocks to receivers. But counterparty exposure, issuer creditworthiness, client segmentation, regulation (including changes in assets holding limits for different types of investors), changes in tax policies, currency convertibility (which may constrain currency conversion, repatriation of profits and/or the liquidation of positions), and settlement issues related to local clearing houses are also important risk factors to be considered. The sensitivity of fixed income instruments to macroeconomic shocks may be mitigated by indexing the contracted cash flows to inflation, to FX depreciation, or to specified interest rates – these are common in emerging markets. It is important to note that the index fixings may -- by construction -- lag or mis-measure the actual move in the underlying variables they are intended to track. The choice of the proper fixing (or metric) is particularly important in swaps markets, where floating coupon rates (i.e., coupons indexed to a typically short-dated interest rate reference index) are exchanged for fixed coupons. It is also important to acknowledge that funding in a currency that differs from the currency in which coupons are denominated carries FX risk. Naturally, options on swaps (swaptions) also bear the risks typical to options in addition to the risks related to rates movements.

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