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Aurinia Pharmaceuticals Inc. (NASDAQ-AUPH; US\$12.34; TSX-AUP; C\$15.03)

First Q of Lupkynis Sales Lite, but More Upside Than Downside at \$12.34.

Following approval of Lupkynis on January 22, partial first quarter sales were \$0.9 MM. Bloom Burton had not previously published quarterly estimates, however, 1Q-2021 consensus was \$3.0 MM (range: \$0.4 to \$3.5 MM).

\$2.1 MM is a sizable shortfall, however, Aurinia is too early in the launch of Lupkynis to draw conclusions regarding peak sales (we continue to forecast \$1.1 B by 2025 based on 20% penetration). Also, COVID-19 is a confounding factor for the launch, and AURORA 2-year extension results, which we expect will further differentiate Lupkynis, are expected within 12 months - see previous Bloom Burton note ([link](#)) which highlights multiple near-term clinical and preclinical opportunities to further differentiate Lupkynis on key metrics (more upside than downside, in our view).

In the meantime, according to management, 20 MM U.S. lives are insured based on specific coverage policies and another 80 MM have carriers that will reimburse Lupkynis treatment through a non-formulary request process, with many expected to have specific policies in development. Additionally, the company reports that it has not had any payers exclude Lupkynis from their formularies.

>250 patient start forms (representing annual net revenues of \$16.3 MM) had been received by Aurinia by the end of 1Q, and momentum is continuing. Of the start forms, approximately 40% have converted to on-therapy, with others expected to onboard as non-formulary requests are processed and coverage expands.

Our base case outlined above (20% penetration; \$1.1 B 5th year sales) and supported by preclinical and clinical data to date, assumes that Lupkynis is less diabetogenic vs tacrolimus and less nephrotoxic vs tacrolimus and cyclosporine (both first generation calcineurin inhibitors).

If AURORA 2 shows that Lupkynis is nephrotoxic over long term use in a large number of patients, we believe it will still be used as a rapid short term (6-12 month) agent for treating for lupus nephritis flares, with peak sales of \$535 MM (supports a downside 12-month target of \$11.40 per share).

We have reduced our near term sales forecasts mainly due to COVID-19. However, with a base case target valuation of \$23.00 per share (4.0x 5th year sales, discounted 3 years @ 12%), and a downside of \$11.40, we are upgrading our rating on AUPH shares to BUY (Speculative risk).

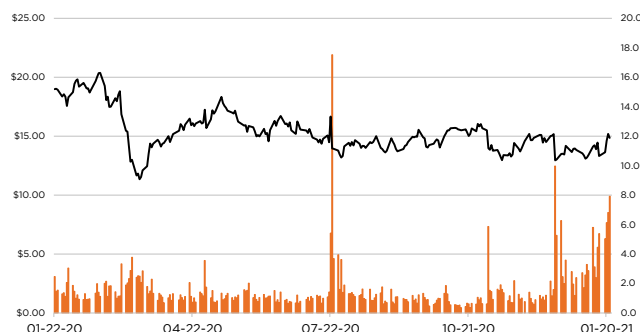
Rating:	BUY (was ACCUMULATE)
Risk:	Speculative
12 Month Price Target:	US\$23.00

Price	US\$12.34
Implied Return	86.4%
Fiscal Year End	31-Dec
52 Week Range	\$11.60-\$20.50
Shares Outstanding (MM)	126.6
Market Cap. (MM)	US\$1,581.0
Cash per share	US\$2.72
Avg. Daily Volume (MM)	3.25

(US\$MM, except EPS)	2019A	2020A*	2021E	2022E
Total Revenue (MM)	\$0.3	\$50.1	\$54.0	\$231.5
<i>previous</i>	<i>nc</i>	<i>nc</i>	\$69.3	\$251.8
Cash + STI (MM)	\$306.0	\$398.3	\$251.5	\$272.7

*2020 revenues include Otsuka upfront payment of \$50 MM

2021	1QA	2QE	3QE	4QE
Revenue (MM)	\$0.9	\$3.7	\$17.7	\$31.7



This report is priced as of prior trading day's close. All values in US\$, except stock chart and unless otherwise noted.

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Buy	Expected to materially outperform the sector average over the next 12 months.
Accumulate	Expected to outperform the sector average over the next 12 months or longer.
Hold	Expected to perform similar to the sector average over the next 12 months.
Sell	Expected to materially underperform the sector average over the next 12 months

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Distribution of Ratings as of May 2021

Rating	Number	Percentage
Buy	18	78%
Accumulate	3	13%
Hold	1	4%
Sell	1	4%
Total	23	100%