



THE MONEY MAP

PASSPORT CLUB

Investors' Report

From: The Money Map Research Team

For: Money Map Passport Club Subscribers

The Biotech With the “Delivery Advantage” That’s Set to Soar 1,250%

**This exclusive report shows you how to get in now,
while shares are still priced around \$6.00...**

Dear *Money Map Passport Club* Member,

Here at *Money Map Press*, our research team spends hundreds of hours each week sifting through the latest news, economic trends, and analysis. We run a fine-tooth comb through the world of available investment choices so that we can ultimately bring you, our readers, only the best – and most profitable – investment recommendations out there.

But now and again in the course of our research, we turn up a rare, unique stock poised right on the edge of a new paradigm of operations. One too small for us to release to the entire *Money Map* family, for fear that the resulting bump in trading volume could disrupt the market.

Opportunities like these we save for our most devoted readers. Members of the *Money Map Passport Club*.

And we recently discovered exactly such an opportunity: a tiny company, priced at around \$6.00, sitting on the leading edge of vitally important technology... and getting ready to make the leap into the “Big Leagues.”

In this case, it’s the Big Leagues of medicine.

After reviewing this company, every member of the research team

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agreed – we could see gains of as much as 1,250% by the end of 2011.

Remember, stocks like **Merck & Co.** (NYSE:MRK), **Microsoft Corp.** (Nasdaq:MSFT), and **Johnson & Johnson** (NYSE:JNJ) were all trading below \$5.00 at some point early in their history. Even **Apple Inc.** (Nasdaq:AAPL) – now pushing \$330.00 per share – started out in the \$3.00 to \$4.00 range.

And now we've found a company we think could be sitting on that exact same kind of multi-decade run – while it's still small.

This Company Just Built A Better Mousetrap

Founded in 1995 and based in Menlo Park, California, **Depomed Inc.** (Nasdaq:DEPO) is a specialty pharmaceutical company of just 85 employees boasting a unique, patented, polymer-based delivery technology known as AcuForm™.

This tiny company has figured out how to create tablets that are very small when ingested but expand when they get to the stomach and stay there for eight to nine hours in order to create an optimal launch platform for a variety of drugs – all of which can be released into the system at different times and at different rates.

Through Depomed's AcuForm delivery technology, drug makers can specifically target the release of compounds to occur in the upper gastrointestinal tract.

This release method not only increases bioavailability (the amount of an administered dose of drug that actually reaches the bloodstream). It also results in less frequent dosing and fewer side effects than the same compounds delivered using other formulations.

Potential applications for AcuForm technology are very wide-ranging, from reducing doses for drugs that need to be taken two or more times a day, to drug compounds that are insoluble in water, to drugs that irritate the mucosa of the small intestine.

To put it simply, Depomed has developed a better mousetrap, and Big Pharma is already starting to line up to supply the cheese – in this case, by partnering with the company and its technology.

Depomed already has existing collaborations and licensing agreements with Solvay Pharmaceuticals, PharmaNova, Santarus, Merck & Co., Covidien, TEVA Pharmaceuticals USA, King Pharmaceuticals, Espirit Pharma, LG Life Sciences, Supernus Pharmaceuticals, Janssen Pharmaceutica, and Rottapharm/Madaus.

Since 2007, Depomed has generated \$130 million in one-off milestone payments from other pharmaceutical companies that value its technology and see how it can be applied to make their own individual compounds better.

(And the company expects up to \$300 million in milestone payments from lucrative deals in the near future, as bidding really starts to heat up.)

Depomed's AcuForm delivery technology has clearly caught the eye of Big Pharma. But drug delivery is only one small component in this company's arsenal of revenue-generating assets...

No Lack of Available Free Cash Here...

Depomed currently has two marketed products: Glumetza®, a once-daily treatment to help adults with type-2 diabetes manage their blood sugar levels, and Proquin® XR, a once-daily treatment for uncomplicated urinary tract infections.

And, naturally, both products use the company's AcuForm delivery technology. Just one pill delivers the medicine slowly and steadily over the course of eight hours.

Glumetza is promoted by Santarus Inc. in the U.S. and Valeant Pharmaceuticals (formerly Biovail) in Canada. The drug generates significant revenue. And because Depomed itself has no marketing or salesforce costs associated with it, the product accounts for about 17% of DEPO's bottom line on a quarter-by-quarter basis.

Speaking of revenue, on November 1, 2010, the company announced that revenue from its 3Q/2010 operations was \$20.1 million – and net income from the quarter had increased to \$0.04 a share – an increase of 33.3% from the same quarter a year ago.

For the quarter, the company's cash flow was \$76.4 million. That's a heck of a lot of free cash for a small company with a market cap of just \$340 million. And that's critical to the success of small, specialty pharma companies, which typically suffer from a lack of available free cash flow to fund future research and development.

Making Big Moves into Commercial Medicine and the Women's Health Market

Although the AcuForm, Glumetza, and Proquin XR assets are compelling enough on their own, it's Depomed's pipeline and direction for the future where the light really starts to shine brightly – and where our research team really started to get excited.

You see, Depomed isn't satisfied being merely a drug delivery company.

Its A-Level management team, made up of professional health product marketers responsible for the launch of several high-profile drugs (including Ranexa® and Viagra®), wants to propel this company to the upper echelons of the drug industry.

So Depomed is quickly moving to become a commercial drug manufacturer and a company with a focus on the women's health market.

To accomplish the first goal (becoming a commercial drug manufacturer), Depomed has multiple near-term opportunities generated by products moving through the development process:

- First is DM-1796, a Gabapentin product designed to compete in the \$7 billion market to target nerve damage caused by shingles, which affects 500,000 people each year in the U.S. alone. It is already licensed to Abbott and expected to launch in late

2Q/2011. Looking forward, Depomed estimates potential revenue for DM-1796 up to \$300 million through 2014 and beyond.

- Next, Serada™ is hot on that drug's heels, currently in Phase 3 trials in 65 locations across the United States and is expected to receive approval in late 2012. When approved, Serada will compete in the \$5 billion menopausal hot flash market – where there is currently no approved safe, effective, non-hormonal, non-antidepressant treatment. This will create a valuable opportunity for the company (as we'll explain in a moment).
- Third, DM-1992 is a Parkinson's disease compound currently in Phase 1 trials in Russia. Depomed expects to receive results from its Phase 1 trials in 1Q/2011. At that time, the company will out-license the compound, because it can't credibly be marketed to OB/GYNs (and therefore falls outside DEPO's second goal of becoming a women's health services company).
- Also in Phase 1 trials, DM-3458 targets gastroesophageal reflux disease (GERD). With Depomed's own AcuForm extended-release technology, this drug could bring nighttime relief by reducing nocturnal acid breakthrough – something that affects nearly 50% of all patients currently receiving GERD treatments.

Let's take a moment to look a little deeper into both of Depomed's Phase 3 drugs to get a better understanding of the opportunity each represents... both for the company and for investors.

A Big Step Up from Lyrica®

Every year, physicians write roughly 40 million prescriptions for neuropathic pain medications, like Lyrica® and Neurontin.

With its DM-1796 launching in late 2Q/2011, Depomed could see immediate top-line growth as it starts eating away at Lyrica's annual sales – \$2.8 billion worth of sales.

When tested against Lyrica and Neurontin, DM-1796's pain reduction score was similar to the competitors' top-end range. But the real benefit came from Depomed's AcuForm technology, which delivered patients one dose per day (versus two to four doses for the competitors) and greatly reduced side effects.

DM-1796 is licensed to Abbott Labs in the U.S., but Depomed retains all rights outside the country. That makes for an attractive partnering opportunity for Big Pharma companies looking to improve their portfolios.

A Game-Changer for Menopause Treatment

Currently the only FDA-approved treatment for hot flashes is hormone replacement therapy (HRT). Yet significant negative data is associated with the use of estrogen in menopausal women, including increased risk of breast cancer and heart disease.

That creates a huge opportunity for a company that can deliver a solution that is not hormone-based.

Depomed's Serada product represents the first potential non-hormonal option for treating menopausal hot flashes. And it could be a game-changer for physicians and patients alike.

To understand the negative data surrounding existing HRT, consider the following statistic... In 2001, physicians wrote more than 90 million HRT prescriptions. By the end of 2009, that number had decreased to just 34 million.

And Serada is ready to potentially fill that huge void.

The reduction of nearly 60 million prescriptions a year in the menopausal hot flash market leaves a \$5 billion hole that could be filled by a product like Serada – and that's one of the reasons Depomed has decided to use the release of Serada as a launching pad for its new business model and new direction to the commercial drug market.

When the company receives approval for Serada, it will either license

the entire Serada franchise or put together a sales team to market Serada (along with three other products) to OB/GYNs, supporting its aspirations to become a women's health company.

Serada is currently in Phase 3 trials, and DepoMed expects the product to be commercially released to the public in early 2013.

That means investors getting in now will be far ahead of the Wall Street herd that is expected to pile into DEPO once Serada hits the market.

No Waiting Time for Profits

Here's the real beauty of Depomed...

While we wait for the Serada launch, we don't have to suffer through two years of no revenue and negative earnings – far from it.

Depomed has stellar financials, including four straight quarterly earnings surprises – the latest of which beat estimates by 300%.

Its Glumetza and Proquin XR bring top-line and earnings support, and the AcuForm technology affords the company ongoing milestone revenues – up to \$300 million coming in the next year – not to mention enormous additional upside potential if it decides to enter into more partnerships with Big Pharma.

And then there's the launch of DM-1796... That should bring immediate top- and bottom-line growth in 2011.

Our analysis suggests we could see earnings per share increase by 1,250%, to \$0.27, by the end of 2011.

As most astute investors know, price tends to follow earnings – so that gives DEPO shares the potential for climbing from today's price of around \$6.00 to more than \$75.00 in a very short time.

Take this opportunity now to get in ahead of Wall Street...

Action to Take: Buy *Depomed Inc.* (Nasdaq:DEPO) at market and use a 25% trailing stop to protect your principal and your profits. 🌐

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