

Opiant Pharmaceuticals Inc.

(OPNT-NASDAQ)

OPNT: Will Begin Receiving 90% of NARCAN® Nasal Spray Royalties in 1Q18...

Based on our probability adjusted DCF model that takes into account potential future revenues from treating opioid abuse, bulimia nervosa (BN), binge eating disorder (BED), and alcohol use disorder (AUD), OPNT is valued at \$51/share. This model is highly dependent upon the commercial success of NARCAN® Nasal Spray and clinical success in treating BN, BED, and AUD.

Current Price (12/20/17) \$18.16
Valuation **\$51.00**

OUTLOOK

On Dec. 20, 2017, Opiant Pharmaceuticals Inc. (OPNT) announced that it expects to begin receiving 90% of royalty and milestone payments related to NARCAN® Nasal Spray in the first quarter of 2018. Opiant signed an agreement with SWK Holdings Corporation in Dec. 2016 whereby SWK acquired the rights to royalties and milestone payments from the sale of NARCAN® Nasal Spray. According to the agreement, SWK would receive all royalties and milestone payments up to \$26.25 million, at which time 90% of the royalty and milestones would revert to Opiant, with SWK continuing to receive 10% of them. SWK will have been paid the \$26.25 million by the end of 2017, thus Opiant will begin receiving 90% of royalty and milestone payments approximately 1 year ahead of our original forecast.

SUMMARY DATA

52-Week High **\$50.50**
52-Week Low **\$5.35**
One-Year Return (%) **185.98**
Beta **-2.33**
Average Daily Volume (sh) **60,290**

Shares Outstanding (mil) **2**
Market Capitalization (\$mil) **\$38**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **2**
Insider Ownership (%) **64**

Annual Cash Dividend **\$0.00**
Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates
Sales (%) **N/A**
Earnings Per Share (%) **N/A**
Dividend (%) **N/A**

P/E using TTM EPS **N/A**
P/E using 2016 Estimate **N/A**
P/E using 2017 Estimate **N/A**

Risk Level **High,**
Type of Stock **Small-Growth**
Industry **Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of \$)

	Q1 (Oct)	Q2 (Jan)	Q3 (Apr)	Q4 (Jul)	Year (Jul)
2017	1.1 A	13.5 A	0.0 A	3.8 A	18.4 A
2018	0.0 A	10.5 E	2.0 E	2.0 E	14.5 E
2019					10.5 E
2020					24.0 E

Earnings per Share

(EPS is operating earnings before non-recurring items)

	Q1 (Oct)	Q2 (Jan)	Q3 (Apr)	Q4 (Jul)	Year (Jul)
2017	-\$0.30 A	\$5.31 A	-\$1.55 A	-\$0.17 A	\$3.27 A
2018	-\$2.77 A	\$3.76 E	-\$0.36 E	-\$0.50 E	\$0.17 E
2019					-\$1.00 E
2020					\$3.43 E

WHAT'S NEW

Financial Update

Royalty Rights for NARCAN® Nasal Spray Reverting Back to Opiant

On December 20, 2017, Opiant Pharmaceuticals, Inc. (OPNT) **announced** that it expects to begin receiving 90% of royalty and milestone payments related to the sale of NARCAN® Nasal Spray beginning in the first quarter of 2018. This is approximately one year ahead of our original forecast and indicates that sales of NARCAN® Nasal Spray are exceeding our expectations.

Royalty Agreement With SWK Holdings

On December 15, 2016, Opiant Pharmaceuticals, Inc. (OPNT) **announced** an agreement with SWK Holdings Corporation whereby SWK acquired the rights to certain royalty and milestone payments related to the sale of NARCAN® Nasal Spray for an initial payment of \$13.7 million and the potential for an additional \$3.75 million if certain future net sales milestones were met.

On August 10, 2017, Opiant announced an additional \$3.75 million payment from SWK related to the royalty monetization agreement related to the sale of NARCAN® Nasal Spray signed between Opiant and SWK in December 2016. According to the agreement, the \$3.75 million payment was due to Opiant upon Adapt Pharma recording >\$25 million in cumulative net sales of NARCAN® Nasal Spray for any two consecutive quarters from Oct. 1, 2016 to Sep. 30, 2017. This occurred over the first two quarters of 2017.

Since the additional payment was made by SWK, it would receive all royalties on the sale of NARCAN® Nasal Spray up to \$26.25 million dollars and a residual royalty of 10% on all subsequent royalties from the sale of NARCAN® Nasal Spray.

Agreement With Adapt Pharma

Opiant initially signed the commercialization agreement with Adapt Pharma in December 2014. According to the agreement, Opiant is set to receive sales milestone payments for annual net sales based on the following thresholds:

Threshold Annual Net Sales Levels	Milestone Payment
\$30 Million	\$2 Million
\$40 Million	\$6 Million
\$55 Million	\$10 Million
\$75 Million	\$15 Million
\$200 Million	\$15 Million

Source: Opiant SEC Filing

Adapt is paying tiered royalties on the sale of NARCAN® Nasal Spray according to the following:

Net Sales of NARCAN® Nasal Spray	Royalty Rate
<\$50 Million	6%
≥\$50 Million < \$75 Million	7.5%
≥\$75 Million < \$100 Million	9%
≥\$100 Million < \$200 Million	10%
≥\$200 Million	12%

Source: Opiant SEC Filing

In order for SWK to have been paid \$26.25 million in royalties/milestones in 2017, we estimate that sales of NARCAN® Nasal Spray were at least \$75M for 2017. \$75M in sales in 2017 would trigger \$33 million in milestone payments plus royalties, however sales <\$75 million (i.e., \$74 million) would provide a maximum of only \$22.8 million in royalties/milestones.

\$75 million in 2017 sales would equate to \$37.88 million in royalties and milestones (\$4.88 million in royalties + \$33 million in milestones). After SWK is paid its \$26.25 million, that leaves \$11.63 million, of which OPNT is entitled to 90%, or \$10.47 million. Thus, we believe OPNT will have made at least \$10.47 million in 2017.

Conclusion

The news that royalties and milestones from the sale of NARCAN® Nasal Spray will revert back to Opiant at the beginning of 2018 was a nice surprise, as we had originally estimated it would occur at the beginning of 2019. Sales of NARCAN® Nasal Spray are far exceeding our expectations and appear to be ramping up rapidly. Using the numbers above, the following table gives a sense of what Opiant could receive in 2018 royalties based on different sales numbers for NARCAN® Nasal Spray. If sales continue at the current pace, \$100 million in sales for NARCAN Nasal Spray in 2018 does not appear to be an overly ambitious estimate.

2018 NARCAN® Nasal Spray Sales Estimate	Corresponding Royalty
\$75M	\$4.4M
\$100M	\$6.4M
\$125M	\$8.7M
\$150M	\$10.9M
\$200M	\$28.9M*

*\$15M milestone due if net annual sales >\$200M

Based on the royalties reverting back to Opiant earlier than originally anticipated, and at least \$10.5 million being due to Opiant following the end of 2017, we have increased our valuation to \$51. The company is now well financed to continue development of its pipeline, and we do not foresee any financing risk in the near term. Additional upside is possible if sales of NARCAN® Nasal Spray continue to exceed our expectations.

PROJECTED FINANCIALS

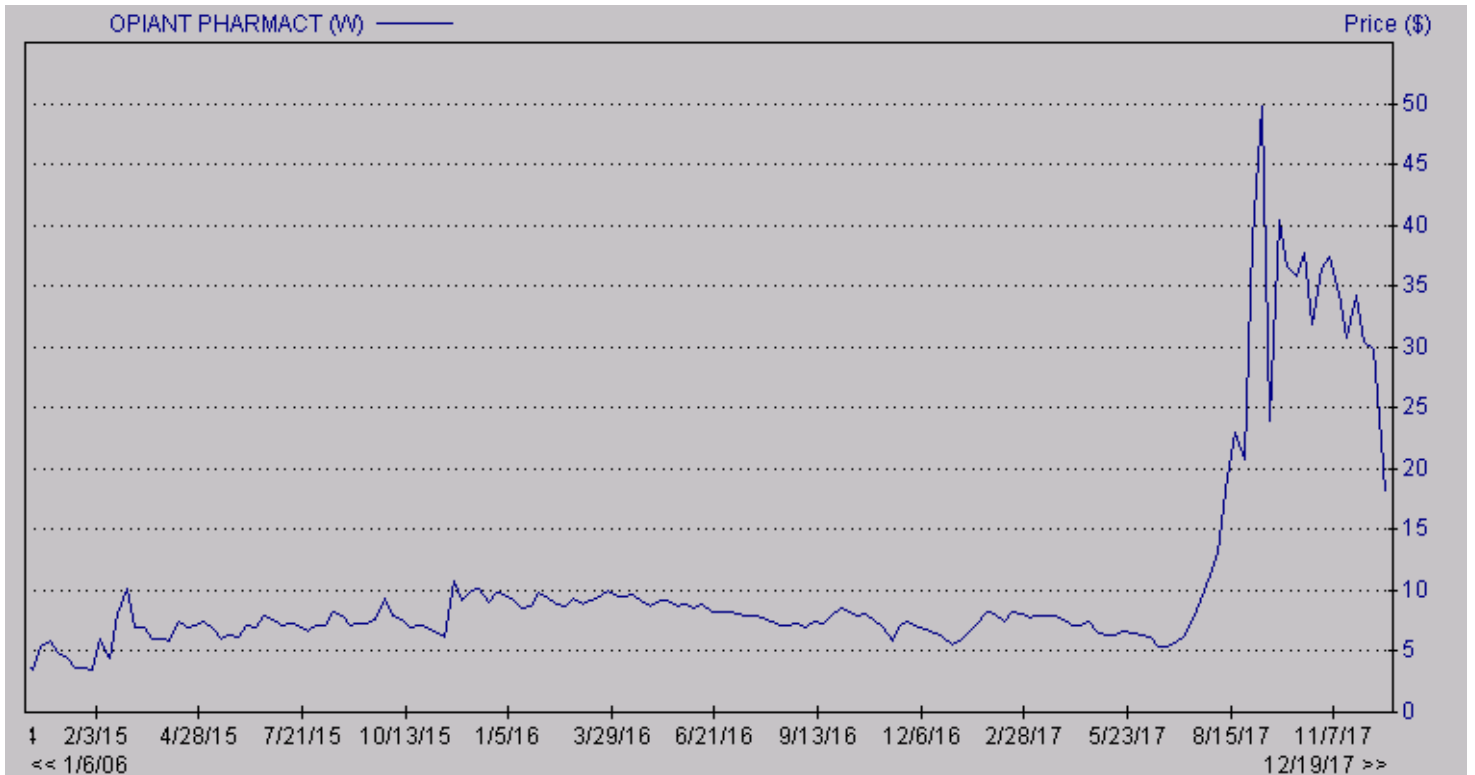
Opiant Pharmaceuticals, Inc. Income Statement

Opiant Pharmaceuticals, Inc.	FY 2017 A	Oct-17 A	Jan-18 E	Apr-18 E	Jul-18 E	FY 2018 E	FY 2019 E	FY 2020 E
NARCAN royalty	\$0.6	\$0.0	\$10.5	\$2.0	\$2.0	\$14.5	\$10.5	\$24.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Binge Eating Disorder	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Bulimia Nervosa	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Licensing and Milestones	\$17.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Total Revenues	\$18.4	\$0.0	\$10.5	\$2.0	\$2.0	\$14.5	\$10.5	\$24.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Product Gross Margin</i>	-	-	-	-	-	-	-	-
Research & Development	\$3.2	\$1.6	\$0.9	\$0.9	\$1.1	\$4.5	\$4.0	\$4.2
General & Administrative	\$6.5	\$4.0	\$1.5	\$1.7	\$1.8	\$9.0	\$8.0	\$8.5
Selling Expenses	\$1.7	\$0.0	\$0.2	\$0.2	\$0.2	\$0.6	\$1.0	\$1.0
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Income	\$7.1	(\$5.6)	\$7.9	(\$0.8)	(\$1.1)	\$0.4	(\$2.5)	\$10.3
<i>Operating Margin</i>	-	-	-	-	-	-	-	-
Non-Operating Expenses (Net)	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	(\$0.0)	\$0.0	\$0.0
Pre-Tax Income	\$7.1	(\$5.6)	\$7.9	(\$0.8)	(\$1.1)	\$0.4	(\$2.5)	\$10.3
Income Taxes Paid	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Tax Rate</i>	0%	0%	0%	0%	0%	0%	0%	0%
Net Income	\$6.6	(\$5.6)	\$7.9	(\$0.8)	(\$1.1)	\$0.4	(\$2.5)	\$10.3
<i>Net Margin</i>	-	-	-	-	-	-	-	-
Reported EPS	\$3.27	(\$2.77)	\$3.76	(\$0.36)	(\$0.50)	\$0.17	(\$1.00)	\$3.43
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Basic Shares Outstanding	2.0	2.0	2.1	2.2	2.2	2.1	2.5	3.0

Source: Zacks Investment Research, Inc.

David Bautz, PhD

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research (“Zacks SCR”), a division of Zacks Investment Research (“ZIR”), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, David Bautz, PhD, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer’s business. SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.