

## Opiant Pharmaceuticals, Inc.

(OPNT-NASDAQ)

### OPNT: Developing Longer-Acting Opioid Overdose Treatment...

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 \$55/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 (02/13/18) \$20.02  
Valuation \$55.00

### OUTLOOK

On Feb. 12, 2018, Opiant Pharmaceuticals Inc. (OPNT) announced the development of OPNT003, an intranasal formulation of nalmefene that is being developed as a long-lasting opioid antagonist for the treatment of opioid overdose. The company currently has a marketed opioid overdose treatment, NARCAN® Nasal Spray. However, there has been a substantial increase in opioid overdose deaths due to fentanyl and other synthetic opioids, which have long half-lives (7-10 hours). For this reason, a long-lasting opioid antagonist treatment could help avoid the necessity for repeat administration of naloxone. Opiant plans on pursuing approval through the 505(b)(2) pathway that could result in filing a new drug application (NDA) in 2020.

### SUMMARY DATA

52-Week High \$50.50  
52-Week Low \$5.35  
One-Year Return (%) 139.76  
Beta -2.85  
Average Daily Volume (sh) 29,087

Shares Outstanding (mil) 2  
Market Capitalization (\$mil) \$41  
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 2018 Estimate N/A  
P/E using 2019 Estimate N/A

Risk Level High  
Type of Stock Small-Growth  
Industry Med-Drugs

### 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	11.7 E	2.0 E	2.0 E	15.7 E
2019					10.5 E
2020					24.0 E

#### Earnings per Share

	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	\$4.33 E	-\$0.36 E	-\$0.50 E	\$0.73 E
2019					-\$1.00 E
2020					\$3.43 E

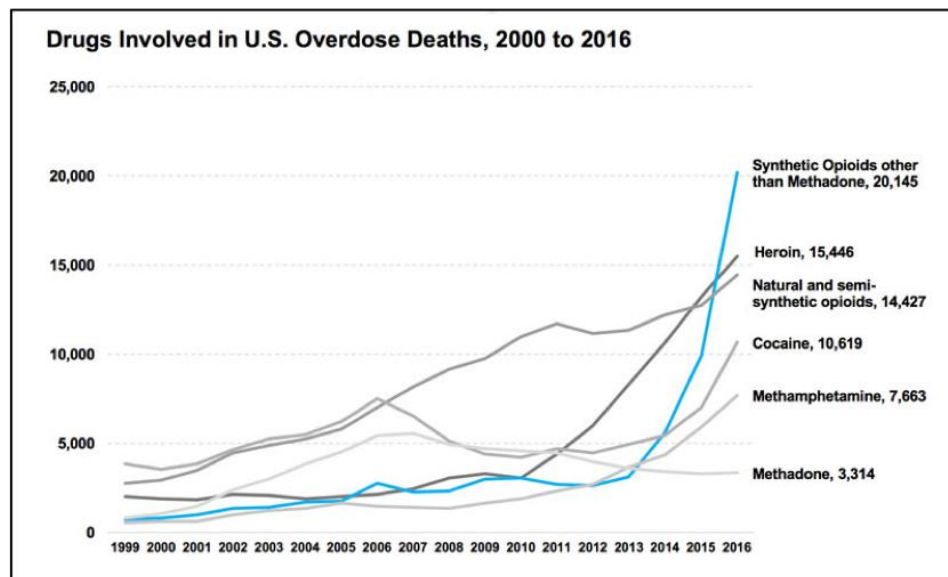
## WHAT'S NEW

### Business Update

#### *Opiant to Develop OPNT003, An Improved Opioid Antagonist*

On February 12, 2018, Opiant Pharmaceuticals, Inc. (OPNT) [announced](#) the development of OPNT003, a long-lasting opioid overdose treatment. OPNT003 is an intranasal formulation of nalmefene, a naltrexone derivative. Based on its favorable pharmacokinetic profile, we believe OPNT003 could become a best-in-class opioid overdose treatment.

The U.S. continues to battle an opioid epidemic. The following chart shows the number of overdose deaths in the U.S. from certain drugs, with the rapid rise in deaths from synthetic opioids just since 2013 particularly striking. This increase in synthetic opioid deaths has led the National Institutes of Health (NIH) to call for improved opioid antagonists that are capable of counteracting their effects ([Volkow et al., 2017](#)).



Source: Centers for Disease Control

Synthetic opioids such as fentanyl and carfentanil are particularly problematic due to their potency (five and 50 times more potent than heroin, respectively) and longer half-lives. For example, heroin has a half-life of approximately 30 minutes while fentanyl's half-life is two to four hours, thus necessitating opioid antagonism for an extended period of time. Naloxone has a half-life of approximately 1-2 hours and typically requires repeated administration during the treatment of someone suffering from an overdose.

Nalmefene is an opioid antagonist with a much longer half-life than naloxone (7-9 hours). It was approved by the FDA in 1995 as an injectable treatment for opioid overdose sold under the brand name Revex<sup>®</sup>, however Baxter discontinued it in the U.S. in 2008. Opiant has developed an intranasally administered nalmefene formulation using the Intravail<sup>®</sup> technology, which was developed by Aegis Therapeutics, LLC. It comprises a broad class of chemically synthesizable transmucosal absorption enhancement agents to allow the intranasal (although other routes of administration are available including oral, rectal, ocular, etc.) administration of therapeutics up to 30,000 Daltons molecular weight.

Opiant has successfully completed a Phase 1 study of intranasally administered nalmefene that showed rapid increases in plasma levels with an onset faster than an intramuscular injection along with a long half-life (6.7-7.8 hours). These data formed the basis for a meeting with the FDA regarding the planned development of OPNT003. Based on the guidance received from the FDA, Opiant believes it will be in a position to file an NDA in 2020. In addition, the company has applied for a grant from the NIH to get the compound to an NDA-ready stage, which is likely to get funded given the agency's interest in a longer-acting opioid antagonist.

Opiant owns all commercial rights to OPNT003 and the company's prospects for partnering remain wide open at this point. We believe that if the company were to enter into a commercialization partnership it would be able to command favorable terms given the commercial success of NARCAN® Nasal Spray and the company's strong financial position.

### **Financial Update**

*Opiant to Record Approximately \$11.7 Million in Royalty and Milestone Payments*

On February 8, 2018, Opiant [announced](#) that it will record approximately \$11.7 million in royalty and milestone payments for the five-month transition period ending Dec. 31, 2017 as the company moves its fiscal year end from July 31 to December 31. We had previously [speculated](#) that Opiant would record at least \$10.5 million in revenue following the [announcement](#) that the company would begin receiving 90% of royalty and milestone payments related to the sale of NARCAN® Nasal Spray in the first quarter of 2018, which according to our calculations meant sales of NARCAN® Nasal Spray totaled at least \$75 million in 2017. Thus, sales of NARCAN® Nasal Spray came in a little bit above our estimates, and we are currently forecasting sales in 2018 to be at least \$100 million.

### **Conclusion**

OPNT003 represents an exciting opportunity for Opiant and would fill a significant unmet public health need in the ongoing opioid crisis. There is no end in sight to the dramatic increase in overdose deaths due to synthetic opioids, and nalmefene could be an effective weapon against those compounds. We have adjusted our valuation model based on the fact that following approval of OPNT003, we believe net sales of NARCAN® Nasal Spray would decrease while sales of OPNT003 ramp up. As of now we believe a royalty/milestone deal similar to what Opiant has with Adapt Pharma will be signed by the company, however the terms are likely to be a bit more favorable for Opiant in regards to increased milestone payments and royalties. Based on these adjustments we have raised our valuation from \$51 to \$55.

## 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
<b>NARCAN royalty</b>	\$0.6	\$0.0	\$11.7	\$2.0	\$2.0	\$15.7	\$10.5	\$24.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
<b>OPNT003</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
<b>Binge Eating Disorder</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
<b>Bulimia Nervosa</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
<b>Licensing and Milestones</b>	\$17.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$18.4</b>	<b>\$0.0</b>	<b>\$11.7</b>	<b>\$2.0</b>	<b>\$2.0</b>	<b>\$15.7</b>	<b>\$10.5</b>	<b>\$24.0</b>
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
<b>Cost of Sales</b>	\$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
<b>Operating Income</b>	<b>\$7.1</b>	<b>(\$5.6)</b>	<b>\$9.1</b>	<b>(\$0.8)</b>	<b>(\$1.1)</b>	<b>\$1.6</b>	<b>(\$2.5)</b>	<b>\$10.3</b>
<i>Operating Margin</i>	-	-	-	-	-	-	-	-
Non-Operating Expenses (Net)	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	(\$0.0)	\$0.0	\$0.0
<b>Pre-Tax Income</b>	<b>\$7.1</b>	<b>(\$5.6)</b>	<b>\$9.1</b>	<b>(\$0.8)</b>	<b>(\$1.1)</b>	<b>\$1.6</b>	<b>(\$2.5)</b>	<b>\$10.3</b>
Income Taxes Paid	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Tax Rate</i>	0%	0%	0%	0%	0%	0%	0%	0%
<b>Net Income</b>	<b>\$6.6</b>	<b>(\$5.6)</b>	<b>\$9.1</b>	<b>(\$0.8)</b>	<b>(\$1.1)</b>	<b>\$1.6</b>	<b>(\$2.5)</b>	<b>\$10.3</b>
<i>Net Margin</i>	-	-	-	-	-	-	-	-
<b>Reported EPS</b>	<b>\$3.27</b>	<b>(\$2.77)</b>	<b>\$4.33</b>	<b>(\$0.36)</b>	<b>(\$0.50)</b>	<b>\$0.73</b>	<b>(\$1.00)</b>	<b>\$3.43</b>
<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



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