

Opiant Pharmaceuticals, Inc.

(OPNT-NASDAQ)

OPNT: Contract with BARDA to Support Develop of OPNT003...

Based on our probability adjusted DCF model that takes into account potential future revenues from opioid antagonists, eating disorder treatments, and alcohol use disorder (AUD) treatments, OPNT is valued at \$52/share. This model is highly dependent upon the commercial and clinical success of opioid antagonists and clinical success in treating eating disorders and AUD.

Current Price (10/04/18) **\$18.62**
Valuation **\$52.00**

OUTLOOK

On Sep. 20, 2018, Opiant Pharmaceuticals, Inc. (OPNT) announced it has entered into a multi-year contract with the Biomedical Advanced Research and Development Authority (BARDA) for the development of OPNT003. The contract includes up to \$4.6 million in funding that will help to cover activities not funded by the previously announced \$7.4 million grant from the National Institute on Drug Abuse (NIDA).

In addition to the BARDA contract, Opiant recently completed a public offering of approximately 0.8 million shares sold at \$17.00 per share that resulted in net proceeds of approximately \$12.7 million. Those funds will be used for the advancement of the company's bulimia nervosa and alcohol use disorder programs. The company recently announced the Phase 2 trial of OPNT001 in bulimia is now fully enrolled and we anticipate results in the first quarter of 2019.

SUMMARY DATA

52-Week High **\$40.15**
52-Week Low **\$12.89**
One-Year Return (%) **-46.03**
Beta **0.14**
Average Daily Volume (sh) **65,401**

Shares Outstanding (mil) **3**
Market Capitalization (\$mil) **\$56**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **5**
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 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	0.0 A	0.0 A	0.0 A	11.8 A	11.8 A
2018	1.7 A	3.2 A	4.7 E	5.2 E	14.8 E
2019					40.5 E
2020					26.2 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-\$0.30 A	\$5.31 A	-\$1.55 A	-\$0.17 A	\$0.66 A
2018	-\$3.68 A	-\$0.52 A	-\$0.11 E	-\$0.10 E	-\$2.20 E
2019					\$7.40 E
2020					\$1.23 E

WHAT'S NEW

Business Update

Opiant Awarded \$4.6 Million Contract for OPNT003

On September 20, 2018, Opiant Pharmaceuticals, Inc. (OPNT) [announced](#) it has entered into a \$4.6 million contract with the Biomedical Advanced Research and Development Authority (BARDA), which is part of the U.S. Health and Human Services Office of the Assistant Secretary for Preparedness and Response. The contract is intended to speed up development of OPNT003, the company's lead product candidate. OPNT003 is a nasally administered formulation of nalmefene, a potent and long-acting opioid antagonist that is currently being developed as a treatment for opioid overdose. The BARDA contract is designed to cover those expenses that are not covered by the previously announced \$7.4 million grant from the National Institute on Drug Abuse (NIDA).

Potential for OPNT003 as a Chemical Warfare Antidote

The BARDA contract signifies the government's potential interest in utilizing nalmefene as a treatment in the event of a chemical attack using a synthetic opioid. While not traditionally thought of as the basis for a chemical warfare attack, powerful opioids could certainly be utilized to inflict a mass casualty event. The basis for this idea comes from an event in Russia 15 years ago in which an aerosolized synthetic opioid, likely a derivative of fentanyl, was utilized in an attempt to rescue hostages that were being held by Chechen rebels in the Moscow Dubrovka Theatre ([Wax et al., 2003](#)).

On October 23, 2002, approximately 800 people attending a theatre show were taken hostage by Chechen rebels. The rebels had rigged the theatre with explosives and threatened to blow it up unless their demands were met. On the morning of October 26, 2002, the Russian government pumped an unidentified gas into the theatre approximately 30 minutes before staging a siege. 127 hostages died during the rescue operation, and 650 others required hospitalization. Four days after the siege, the Russian Health Minister announced that a fentanyl derivative was used to neutralize the terrorists, however the true identity of the chemical(s) used during the raid are still unknown due to the Russian governments unwillingness to provide that information. The hospitalized hostages all showed signs of opioid overdose, thus it is reasonable to conclude that if treating physicians had been instructed to administer opioid antagonists early on many more deaths could have been prevented.

While this example is of the use of a synthetic opioid agent to try to neutralize terrorists and rescue hostages, it would certainly not be much of a stretch to consider how a synthetic opioid agent could be used in a chemical warfare attack by terrorists or rogue nations. Thus, we believe the U.S. government is potentially interested in stockpiling a powerful opioid antagonist, such as OPNT003, as an antidote against a future chemical attack involving a synthetic opioid.

Manufacturing Agreement for OPNT003

On September 10, 2018, Opiant [announced](#) a development and manufacturing agreement with Consort Medical plc for OPNT003. The agreement calls for Opiant to work with Aesica and Bepak, wholly-owned subsidiaries of Consort, to develop a pre-filled nasal spray that delivers nalmefene. Aesica will supply Opiant with clinical samples and registration batches, and falling approval, Aesica and Bepak will manufacture the device.

Bulimia Nervosa Trial Fully Enrolled

On September 4, 2018, Opiant [announced](#) that the Phase 2 trial of OPNT001, a naloxone nasal spray, in bulimia nervosa (BN) is fully enrolled. BN is a serious and potentially life-threatening eating disorder characterized by a cycle of binge eating and purging. BN affects approximately 1-2% of the adult population with 80% of those affected being female. Complications of BN include dehydration, heart problems, severe tooth decay and gum disease, anxiety and depression, and increased risk of suicide.

The only pharmacological agent approved to treat BN is fluoxetine (Prozac®). Two multicenter, double blind, placebo controlled randomized clinical trials of fluoxetine found that a 60 mg dose resulted in a statistically significant reduction in binge eating and vomiting episodes compared to placebo regardless of whether a patient was also suffering from depression, while a 20 mg dose of fluoxetine was only effective in those that did not also

have depression (Goldstein *et al.*, 1999). While effective, fluoxetine has a number of potential adverse side effects including increased suicidal thoughts, sleep problems, headache, dizziness, and gastrointestinal issues.

The randomized, double blind, placebo controlled Phase 2 clinical trial of OPNT001 enrolled 86 patients at 19 clinical sites in the United Kingdom who have been diagnosed with BN. The study will evaluate OPNT001's safety and tolerability as well as its impact on various clinical outcomes, including change in eating behavior. The primary endpoint of the study is a reduction in binge eating days. We anticipate topline results in the first quarter of 2019.

Financial Update

On September 28, 2018, Opiant [announced](#) the closing of a previously announced public offering that resulted in net proceeds to the company of approximately \$12.7 million from the sale of 811,764 shares of common stock at an offering price of \$17 per share. Included in the shares sold were 105,882 shares sold upon the full exercise of the underwriter's option to purchase additional shares. Opiant exited the second quarter of 2018 with approximately \$11.2 million in cash and cash equivalents and following the offering we estimate the company will exit the third quarter of 2018 with approximately \$22 million in cash.

Conclusion

Since most investors are focused on the potential for NARCAN® Nasal Spray and OPNT003 given the nation's current opioid epidemic, we believe that OPNT001 offers additional upside for the company that may not be fully appreciated. We conservatively model for peak sales of OPNT001 of over \$300 million and believe that number could be increased depending upon the strength of the Phase 2 results. Due to the offering our valuation has decreased slightly to \$52 per share, however the stock continues to trade at a significant discount to our valuation, which could represent a nice buying opportunity ahead of the Phase 2 BN data next year.

PROJECTED FINANCIALS

Opiant Pharmaceuticals, Inc. Income Statement

Opiant Pharmaceuticals, Inc.	Five Months Ending Dec-17	1Q18 A	2Q18 A	3Q18 E	4Q18 E	2018 E	2019 E	2020 E
NARCAN royalty	\$11.7	\$1.6	\$3.1	\$4.3	\$4.6	\$13.6	\$34.3	\$26.2
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
OPNT003	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<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, Milestones, and Grants	\$0.1	\$0.1	\$0.1	\$0.4	\$0.6	\$1.2	\$6.2	\$0.0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Total Revenues	\$11.8	\$1.7	\$3.2	\$4.7	\$5.2	\$14.8	\$40.5	\$26.2
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Product Gross Margin</i>	-	-	-	-	-	-	-	-
Research & Development	\$2.5	\$2.4	\$1.6	\$2.0	\$2.5	\$8.5	\$10.0	\$10.0
General & Administrative	\$5.9	\$3.0	\$2.9	\$3.0	\$3.0	\$11.8	\$12.0	\$12.5
Selling Expenses	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Expenses	\$1	\$5.6	\$0	\$0	\$0	\$0	\$0	\$0
Operating Income	\$1.5	(\$9.3)	(\$1.3)	(\$0.3)	(\$0.3)	(\$5.6)	\$18.5	\$3.7
<i>Operating Margin</i>	-	-	-	-	-	-	-	-
Non-Operating Expenses (Net)	\$0.0	(\$0.0)	(\$0.1)	\$0.0	\$0.0	(\$0.1)	\$0.0	\$0.0
Pre-Tax Income	\$1.5	(\$9.3)	(\$1.4)	(\$0.3)	(\$0.3)	(\$5.7)	\$18.5	\$3.7
Income Taxes Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Tax Rate</i>	0%	0%	0%	0%	0%	0%	0%	0%
Net Income	\$1.4	(\$9.3)	(\$1.4)	(\$0.3)	(\$0.3)	(\$5.7)	\$18.5	\$3.7
<i>Net Margin</i>	-	-	-	-	-	-	-	-
Reported EPS	\$0.66	(\$3.68)	(\$0.52)	(\$0.11)	(\$0.10)	(\$2.20)	\$7.40	\$1.23
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Basic Shares Outstanding	2.1	2.5	2.7	2.8	2.9	2.6	2.5	3.0

Source: Zacks Investment Research, Inc.

David Bautz, PhD

HISTORICAL STOCK PRICE



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