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Opiant Pharmaceuticals, Inc. (OPNT-NASDAQ)

OPNT: Acquires Drinabant for Acute Cannabinoid Overdose…

Based on our probability adjusted DCF model that takes into account potential future revenues from opioid antagonists, eating disorder treatments, and acute cannabinoid overdose (ACO) treatments, OPNT is valued at $54/share. This model is highly dependent upon the commercial and clinical success of opioid antagonists and clinical success in treating eating disorders and ACO.

Current Price (01/09/19)	$13.54
Valuation	**$54.00**

OUTLOOK

In December 2018, Opiant Pharmaceuticals, Inc. (OPNT) announced the acquisition of a novel CB-1 receptor antagonist (drinabant) for the treatment of acute cannabinoid overdose (ACO). The company paid Sanofi $500,000 and will be responsible for all development and commercialization expenses. Drinabant was previously studied by Sanofi for a number of conditions in various Phase 1 and 2 clinical trials, thus there is an extensive safety database on the drug. Opiant intends to develop an injectable form of drinabant, since oral administration of the drug results in a slow onset of action.

SUMMARY DATA

52-Week High	**$26.50**
52-Week Low	**$12.89**
One-Year Return (%)	**-41.76**
Beta	**0.69**
Average Daily Volume (sh)	**26,943**
Shares Outstanding (mil)	**4**
Market Capitalization ($mil)	**$52**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**17**
Insider Ownership (%)	**38**
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	**Above Avg.**
Type of Stock	**Small-Value**
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	4.4 A	5.2 E	14.8 E
2019					40.8 E
2020					30.6 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	-$0.32 A	-$0.08 E	-$2.27 E
2019					$4.70 E
2020					$1.88 E

WHAT'S NEW

Business Update

Acquires Drinabant for Acute Cannabinoid Overdose

On December 26, 2018, Opiant Pharmaceuticals, Inc. (OPNT) announced the acquisition of drinabant, a novel CB-1 receptor antagonist, for the treatment of acute cannabinoid overdose (ACO). Opiant will pay Sanofi an upfront payment of $500,000 and will be responsible for all development and commercialization activities.

ACO in adults, which typically occurs from the ingestion of marijuana edibles or the use of synthetic cannabinoids, can result in anxiety, nausea, agitation, and hallucinations. In children, in which the cause is almost always accidental ingestion of edibles, ACO can be more serious and present as lethargy, ataxia, hypoventilation, and possibly vomiting and seizures (Richards *et al*., 2017). ACO from edible marijuana is typically more pronounced due to the delayed onset from oral absorption, which can lead novice users to take additional edible products before the effects are felt. This can ultimately result in severe effects if left untreated, including reports of suicide from marijuana-induced psychosis. Synthetic cannabinoids ("spice" or "K2") present a unique challenge due to their potency and the potential for neuropsychiatric and cardiovascular symptoms (Monte *et al*., 2014) along with the potential for death (Shanks *et al*., 2015).

Due to the legalization of marijuana in an increasing number of states, the rate of ACO is expected to rise from an estimated one million visits to the ER in 2016. In addition, there is evidence to suggest that ACO from the use of synthetic cannabinoids is increasing (Trecki *et al*., 2015).

Drinabant is one of a number of CB-1 receptor antagonists developed by pharmaceutical companies in the 2000's. These compounds were tested for a number of indications, including obesity, schizophrenia, Alzheimer's, and smoking cessation. Sanofi conducted multiple Phase 1 and 2 clinical trials with drinabant and has an extensive safety database on the oral administration of the drug. A study by the Center for Human Drug Research showed that orally administered drinabant inhibits the effect of ∆-9-tetrahydrocannabinol (THC), the major psychoactive component of cannabis (Zuurman *et al*., 2010). Although effective when administered orally, Opiant will be developing an injectable form of drinabant for use in treating ACO such that it can rapidly reverse the symptoms of the condition, which may not be possible with oral administration due to the drug's prolonged onset of action.

Additional Patent Listing for NARCAN® Nasal Spray

On December 24, 2018, Opiant announced that U.S. Patent No. 10,085,937, which covers methods of use for the 4 mg form of NARCAN® Nasal Spray, is now listed in the U.S. FDA "Orange Book". The patent claims methods for using the 4 mg dose of NARCAN Nasal Spray to treating opioid overdose as well as for drug products adapted for use in a pre-primed nasal delivery device containing an opioid receptor antagonist. The company currently has eight listed patents in the Orange Book for NARCAN® Nasal Spray, with five of them covering the 4 mg dose.

Phase 2 Data from Bulimia Nervosa Trial in 1Q19

In November 2018, Opiant announced that the last patient has completed their last visit in the Phase 2 trial of OPNT001, a naloxone nasal spray, in bulimia nervosa (BN). 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.

Conclusion

We view the acquisition of drinabant as a smart move as Opiant looks to establish itself as the leader in overdose and addiction treatments. The small upfront fee, positive clinical data, and a substantial safety database de-risk the program significantly, and with an increase in the number of individuals with access to marijuana products we believe the incidence of ACO is likely to continue to climb. While we do not believe ACO will rise to the epidemic proportions of the ongoing opioid crisis, we believe that an effective ACO treatment could potentially have peak sales of $100 million, especially if it is able to reduce the cost to treat patients (i.e., eliminate the necessity to monitor patients in hospitals until the drugs' effects wear off). The addition of drinabant to our model has increased our valuation to $54.

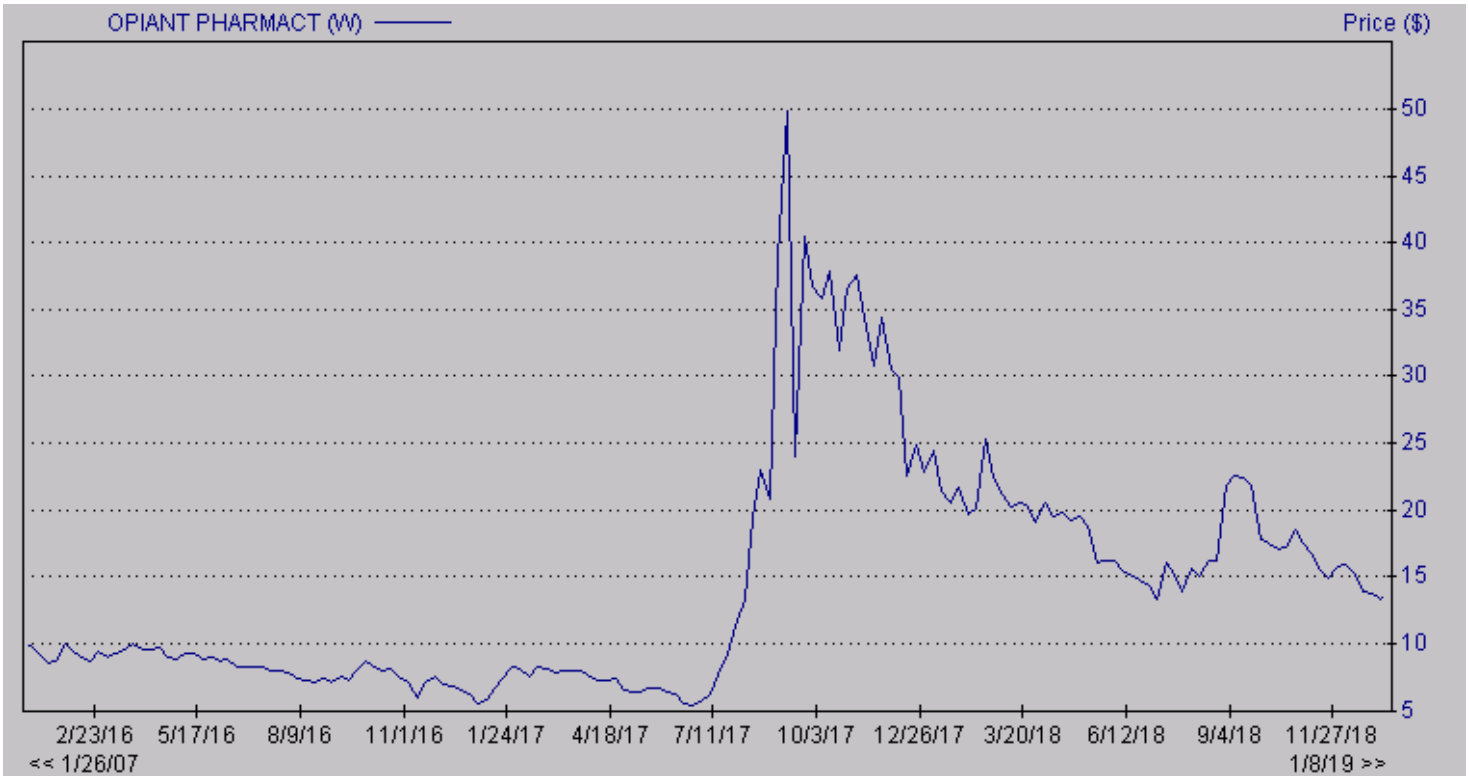
PROJECTED FINANCIALS

Opiant Pharmaceuticals, Inc.
Income Statement

Opiant Pharmaceuticals, Inc.	Five Months Ending Dec-17	1Q18 A	2Q18 A	3Q18 A	4Q18 E	2018 E	2019 E	2020 E
NARCAN royalty	$11.7	$1.6	$3.1	$4.2	$4.6	$13.5	$34.3	$26.2
YOY Growth	-	-	-	-	-	-		
OPNT003	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
YOY Growth	-	-	-	-	-	-		
Binge Eating Disorder	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
YOY Growth	-	-	-	-	-	-		
Bulimia Nervosa	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
YOY Growth	-	-	-	-	-	-		
Licensing, Milestones, and Grants	$0.1	$0.1	$0.1	$0.2	$0.6	$0.9	$6.5	$4.4
YOY Growth	-	-	-	-	-	-		
Total Revenues	**$11.8**	**$1.7**	**$3.2**	**$4.4**	**$5.2**	**$14.4**	**$40.8**	**$30.6**
YOY Growth	-	-	-	-	-	-		
Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin	-	-	-	-	-	-		
Research & Development	$2.5	$2.4	$1.6	$1.9	$2.5	$8.4	$10.0	$10.0
General & Administrative	$5.9	$3.0	$2.9	$3.4	$3.0	$12.2	$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)	($0.9)	($0.3)	($6.2)	$18.8	$8.1
Operating Margin	-	-	-	-	-	-		
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)	($0.9)	($0.3)	($6.3)	$18.8	$8.1
Income Taxes Paid	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	**$1.4**	**($9.3)**	**($1.4)**	**($0.9)**	**($0.3)**	**($6.3)**	**$18.8**	**$8.1**
Net Margin	-	-	-	-	-	-		
Reported EPS	**$0.66**	**($3.68)**	**($0.52)**	**($0.32)**	**($0.08)**	**($2.27)**	**$4.70**	**$1.88**
YOY Growth	-	-	-	-	-	-		
Basic Shares Outstanding	2.1	2.5	2.7	2.9	3.8	2.8	4.0	4.3

Source: Zacks Investment Research, Inc. *David Bautz, PhD*

HISTORICAL STOCK PRICE



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