

Opiant Pharmaceuticals, Inc.

(OPNT-NASDAQ)

OPNT: Increased NARCAN Nasal Spray Sales Leads to Increased Royalties for Opiant...

Based on our probability adjusted DCF model that takes into account potential future revenues from opioid antagonists, alcohol use disorder, and acute cannabinoid overdose (ACO) treatments, OPNT is valued at \$44/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 (11/17/20) **\$7.78**
Valuation **\$44.00**

OUTLOOK

On November 12, 2020, Opiant Pharmaceuticals, Inc. (OPNT) announced financial results for the third quarter of 2020 and provided a business update. Opiant reported \$8.6 million in net royalties from the sale of NARCAN® Nasal Spray in the third quarter of 2020. Emergent BioSolutions increased guidance for between \$295 and \$315 million in NARCAN® full year revenues, and we are increasing our estimate of royalties to Opiant in 2020 to approximately \$28.0 million. In addition, we estimate that Opiant will exit 2020 with approximately \$30 million in cash. The company is currently trading at approximately 1x cash, a level that we find perplexingly low given increasing NARCAN sales and an expected NDA filing for OPNT003 by the end of 2021.

SUMMARY DATA

52-Week High **\$15.39**
52-Week Low **\$6.87**
One-Year Return (%) **-44.82**
Beta **0.77**
Average Daily Volume (sh) **14,534**

Shares Outstanding (mil) **4**
Market Capitalization (\$mil) **\$33**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **21**
Insider Ownership (%) **28**

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
Type of Stock
Industry
Average Small-Value Med-Drugs

ZACKS ESTIMATES

Revenue

(In millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	3.7 A	6.8 A	20.6 A	7.7 A	40.5 A
2020	4.3 A	6.3 A	9.1 A	9.8 E	29.5 E
2021					28.9 E
2022					35.6 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	-\$0.44 A	\$0.39 A	\$2.62 A	\$0.18 A	\$2.88 A
2020	-\$0.40 A	-\$0.05 A	\$0.07 A	\$0.09 E	-\$0.09 E
2021					\$0.02 E
2022					\$0.89 E

WHAT'S NEW

Business Update

Update on OPNT003

Opiant Pharmaceuticals, Inc. (OPNT) is developing OPNT003, an intranasal (IN) formulation of nalmefene (a naltrexone derivative), which the company is developing as a long-lasting opioid antagonist for the treatment of opioid overdose. In 2018, Opiant received a \$7.4 million grant from the National Institute on Drug Abuse (NIDA) to fund development of OPNT003. In addition, in September 2018 Opiant received 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, which is intended to help fund development of OPNT003 through the new drug application (NDA) filing.

On October 29, 2020, Opiant [announced](#) an agreement with Aptar Pharma in which OPNT003 will be developed in conjunction with Aptar's Unit Dose System. Aptar's system is approved by the FDA with multiple products, including NARCAN® Nasal Spray.

Opiant will be meeting with the FDA in December 2020 to review the design of the pharmacodynamic study that is planned for OPNT003 in healthy volunteers and the New Drug Application (NDA) plan, which we anticipate being filed before the end of 2021.

Fentanyl-Related Overdose Deaths Continue to Rise

In July 2020, the Centers for Disease Control (CDC) [published](#) provisional data on drug overdose deaths for 2019, which showed a 4.6% increase for drug overdose deaths from the previous year. This follows an encouraging decrease seen in 2018, and unfortunately the number of overdose deaths is likely to continue to increase in 2020 due to the ongoing coronavirus pandemic. Of the 70,980 drug overdose deaths in 2019, approximately 36,509 (51%) were from synthetic opioids, and 75% of those deaths were due to fentanyl.

Fentanyl is a particularly dangerous opioid. It is 50x more potent than heroin due to the fact that it is more lipophilic than heroin (which leads to much faster brain penetration) as well as affecting respiration more than analgesia. In addition, fentanyl has a longer duration of action than heroin (>7 hours vs. 1-2 hours). Lastly, fentanyl is very easy to produce since it is synthetic. This increased potency means that while naloxone can be effective in reversing overdose due to fentanyl, multiple and continued doses are sometimes necessary for rescue.

We believe that nalmefene has a number of characteristics that make it superior to intranasal naloxone, particularly for overdoses caused by fentanyl. Nalmefene has increased affinity at the μ opioid receptors, a much greater half-life (which can help avoid re-narcotization), and a faster rate of absorption, which is shown in the following table.

Parameter	Nalmefene	Naloxone
Affinity at μ opioid receptors : K_i (nM)	1.0 ¹	5.4 ¹
Half-life: $t_{1/2}$ (h)	7.11 ²	2.08 ³
Speed of absorption: t_{max} (h)	0.25 ²	0.5 ³

Nalmefene and naloxone: a comparison of affinities at μ opioid receptors and pharmacokinetic properties following intranasal administration. ¹ K_i values were estimated using [³H]nalvimopan binding to cloned human μ opioid receptors (Cassel, et al., 2005). The ~5-fold higher affinity of nalmefene compared to naloxone is consistent with both K_i values obtained (0.13 and 0.62 nM, respectively) using [³H]DAMGO as a radioligand in monkey brain membranes (Emmerson, et al., 1994) and pA_2 values of 9.38 and 8.51, respectively, in functional assays using guinea pig ileum and mouse vas deferens (Toll, et al., 1998).²Data from Table 2.
³Data from FDA, 2015 (https://www.accessdata.fda.gov/drugsatfda_docs/label/2015/208411lbl.pdf) (Krieter, et al, 2019)

Source: Opiant Pharmaceuticals, Inc.

Financial Update

On November 12, 2020, Opiant [announced](#) financial results for the third quarter of 2020. The company reported total revenue for the third quarter of 2020 of approximately \$9.1 million, compared to approximately \$20.6 million in

the third quarter of 2020. In the third quarter of 2020, approximately \$8.6 million in revenue was a result of the licensing agreement with Emergent BioSolutions (EBS) for the sale of NARCAN[®] Nasal Spray, compared to approximately \$20.5 million in the third quarter of 2019, which included a final milestone payment of \$13.5 million as sales of NARCAN[®] Nasal Spray exceeded \$200 million for 2019. EBS reported third quarter 2020 sales of NARCAN[®] Nasal Spray of approximately \$88.8 million.

R&D expenses in the third quarter of 2020 were approximately \$2.8 million, compared to approximately \$1.8 million in the third quarter of 2019. The increase was primarily due to increased personnel costs and external development expenses. G&A expenses for the third quarter of 2020 were approximately \$2.7 million, compared to \$3.2 million for the third quarter of 2019. The decrease was primarily due to decreased legal and professional fees partially offset by increased personnel expenses. Sales and marketing expenses were approximately \$0.9 million in the third quarter of 2020, compared to approximately \$0.1 million in the third quarter of 2019. The increase was due to pre-commercialization activities related to OPNT003.

As of September 30, 2020, Opiant had approximately \$31.1 million in cash and cash equivalents, however this does not take into account the remainder of the NIDA grant or the BARDA contract, which together totals approximately \$3.4 million. As of November 9, 2020, Opiant had approximately 4.3 million shares and, when factoring in stock options and warrants, a fully diluted share count of approximately 7.6 million.

NARCAN[®] Nasal Spray Forecast for 2020

Emergent BioSolutions recently raised revenue guidance for NARCAN[®] Nasal Spray 2020 to an estimated \$295 to \$315 million. Emergent acquired Adapt Pharma, which markets NARCAN[®] Nasal Spray for the treatment of opioid overdose and for which Opiant receives tiered royalties, for \$635 million in Aug. 2018. The royalty payments to Opiant are based on the agreement signed with Adapt in 2014 according to the following table. Opiant receives 90% of the royalty payment, with the other 10% going to SWK Holdings Corporation based on the agreement signed in 2016.

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

Based on the strong third quarter, we estimate that 2020 revenues for NARCAN[®] Nasal Spray will be approximately \$315 million and that Opiant will receive approximately \$28 million in royalty payments for 2020.

Conclusion

The main focus for Opiant right now is getting OPNT003 approved as quickly as possible. Now that the agreement is in place with Aptar, we believe the company is set to advance OPNT003 quickly to an NDA filing before the end of 2021. As a reminder, Opiant is also developing OPNT002 for the treatment of alcohol use disorder and OPNT004 for the treatment of acute cannabinoid overdose. The company is still determining the optimum time to initiate the Phase 2 trial for OPNT002 given the ongoing coronavirus pandemic and related restrictions in Europe. For OPNT004, work is continuing on reformulating the compound as an injectable such that it can advance into the clinic next year. We look forward to updates from the company on each of those programs in 2021. With no changes to our model our valuation remains at \$44.

PROJECTED FINANCIALS

Opiant Pharmaceuticals, Inc. Income Statement

Opiant Pharmaceuticals, Inc.	2019 A	1Q A	2Q A	3Q A	4Q E	2020 E	2021 E	2022 E
NARCAN royalty	\$37.6	\$4.2	\$6.3	\$8.6	\$8.9	\$28.0	\$28.9	\$31.6
<i>YOY Growth</i>	<i>183%</i>	-	-	-	-	<i>-26%</i>	<i>3%</i>	<i>9%</i>
OPNT002	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
OPNT003	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$4.0
OPNT004	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Licensing, Milestones, and Grants	\$2.9	\$0.1	\$0.1	\$0.5	\$0.9	\$1.5	\$0.0	\$0.0
Total Revenues	\$40.5	\$4.3	\$6.3	\$9.1	\$9.8	\$29.5	\$28.9	\$35.6
Cost of Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Research & Development	\$9.1	\$1.4	\$0.6	\$2.8	\$2.5	\$7.3	\$10.0	\$11.0
General & Administrative	\$12.2	\$2.6	\$2.8	\$2.7	\$3.3	\$11.4	\$13.0	\$14.0
Sales and Marketing	\$0.6	\$1.1	\$1.7	\$0.9	\$1.4	\$5.1	\$0.0	\$0.0
Royalty Expenses	\$7.7	\$0.9	\$1.4	\$2.0	\$1.8	\$6.0	\$5.8	\$6.4
License Fees	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Operating Income	\$10.9	(\$1.7)	(\$0.2)	\$0.7	\$0.9	(\$0.3)	\$0.1	\$4.2
Non-Operating Expenses (Net)	\$0.5	\$0.1	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0
Pre-Tax Income	\$11.4	(\$1.6)	(\$0.2)	\$0.7	\$0.9	(\$0.3)	\$0.1	\$4.2
Income Taxes Paid	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$11.6	(\$1.7)	(\$0.2)	\$0.7	\$0.9	(\$0.4)	\$0.1	\$4.2
Reported EPS	\$2.88	(\$0.40)	(\$0.05)	\$0.17	\$0.21	(\$0.09)	\$0.02	\$0.89
Basic Shares Outstanding	4.0	4.2	4.3	4.3	4.3	4.3	4.5	4.7

Source: Zacks Investment Research, Inc.

David Bautz, PhD

HISTORICAL STOCK PRICE



Source: Zacks SCR

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