Zacks Small-Cap Research

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John D. Vandermosten, CFA
312-265-9588 / jvandermosten@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Titan Pharmaceuticals, Inc. (TTNP-NASDAQ)

FDA Approves Probuphine, target price increases to $12.00 from $8.50.

Based on our DCF model and a 15% discount rate, TTNP is valued at approximately $12.00 per share. We currently do not include any contribution from the ropinirole or triiodothyronine programs.

Current Price (05/26/16)	$7.07
Valuation	**$12.00**

OUTLOOK

Titan Pharmaceuticals is a development stage company on the cusp of the launch of its lead product candidate, probuphine: an implanted, time-release medicine used for the treatment of opioid addiction. The FDA announced approval of the drug on May 26, 2016 and we anticipate launch of the drug in 3Q:16. Probuphine and the company's other drug candidates use a proprietary drug delivery system called ProNeura. Consisting of ethylene-vinyl acetate and a drug substance, ProNeura is a novel approach to delivery of drugs that benefit from long-duration slow release and controlled substance programs.

In addition to the opioid addiction indication, the company is also pursuing a treatment for Parkinson's Disease (ropinirole) and hypo-thyroidism (T3) which are currently undergoing non-clinical studies prior to an IND meeting with the FDA.

FDA approval of Probuphine supports a price target of $12.00 per share.

SUMMARY DATA

52-Week High	**$7.07**
52-Week Low	**$2.98**
One-Year Return (%)	**39.9**
Beta	**1.93**
Average Daily Volume (sh)	**238,323**
Shares Outstanding (mil)	**20.4**
Market Capitalization ($mil)	**$142**
Short Interest Ratio (days)	**5.56**
Institutional Ownership (%)	**0.3**
Insider Ownership (%)	**22.5**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.0**
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	**18.6**
P/E using 2017 Estimate	**10.9**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	$0.9 A	$0.8 A	$0.0 A	$0.0 A	$1.7 A
2016	$0.0 A	$15.0 E	$0.3 E	$0.9 E	$16.2 E
2017					$25.0 E
2018					$38.9 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	-$0.24 A	-$0.11 A	-$0.09 A	-$0.11 A	-$0.56 A
2016	-$0.09 A	$0.63 E	-$0.09 E	-$0.06 E	$0.38 E
2017					$0.65 E
2018					$1.22 E

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WHAT'S NEW

FDA Announces Approval of Probuphine

Tthe Food and Drug Administration (FDA) issued a press release today announcing the agency's approval of the first buprenorphine implant for treatment of opioid dependence. The approval reflects the demand for new tools to address the problem of opioid use and addiction and addresses several shortcomings in other delivery methods. Probuphine is an implantable device that allows for slow release of buprenorphine, which was previously only available in pill or as a sublingual film.

FDA Commissioner Robert Califf, M.D. set a positive tone for the approval in his statement supporting new treatment options for this destructive addiction. He noted that "Today's approval provides the first-ever implantable option to support patients' efforts to maintain treatment as part of their overall recovery program."

There have been a number of favorable trends in recent months supportive of approval and additional usage of this novel approach to treating opioid addiction including a push for additional funds to be allocated towards addressing the problem of opioid addiction and increases in prescribing limits for physicians. We feel that this supportive environment will drive increased penetration of opioid addiction treatment and favor treatments such as implants that have a number of favorable characteristics when compared with pills, tablets or films.

The approval of the drug was delayed in January 2015 due to FDA in part due to concerns about the removal of the implant and the safety and training related to this process. As a result of this concern, the FDA has included a black box warning that Probuphine may carry the risk of implant migration, protrusion, expulsion and nerve damage resulting from the procedure. All physicians who are able to prescribe Probuphine are required to complete training on proper insertion and withdrawal of the implant. We believe that the black box warning is in line with expectations given the content of the discussions at the Psychopharmacologic Drugs Advisory Committee (PDAC) meeting in January 2016.

The product label limits usage to patients "who have achieved and sustained prolonged clinical stability on transmucosal buprenorphine." While this restriction may reduce the potential peak sales for Probuphine and steer usage towards those already on treatment, our forecast model reflects penetration levels in-line with this limitation. We do believe that there is a strong argument to favor the use of the subdermal implant in place of a pill or sublingual film given the potential risks from diversion, accidental usage by children or other adults, and improper (excessive) or missed dosing. We expect that implants will also improve relapse rates given the passive delivery of buprenorphine.

Titan Pharmaceuticals Inc. (NASDAQ: TTNP) will hold a conference call on Tuesday, May 31 at 4:15 pm EST to discuss Probuphine's approval. The webcast is available on Titan's website at www.titanpharm.com or can be accessed by dialing 888-806-6202 with code #7721843.

We adjust our model to reflect the FDA's approval of Probuphine which increases our price target from $8.50 to $12.00. As per the agreement with Braeburn Pharmaceuticals, Titan will receive its $15 million milestone payment.

PROJECTED FINANCIALS

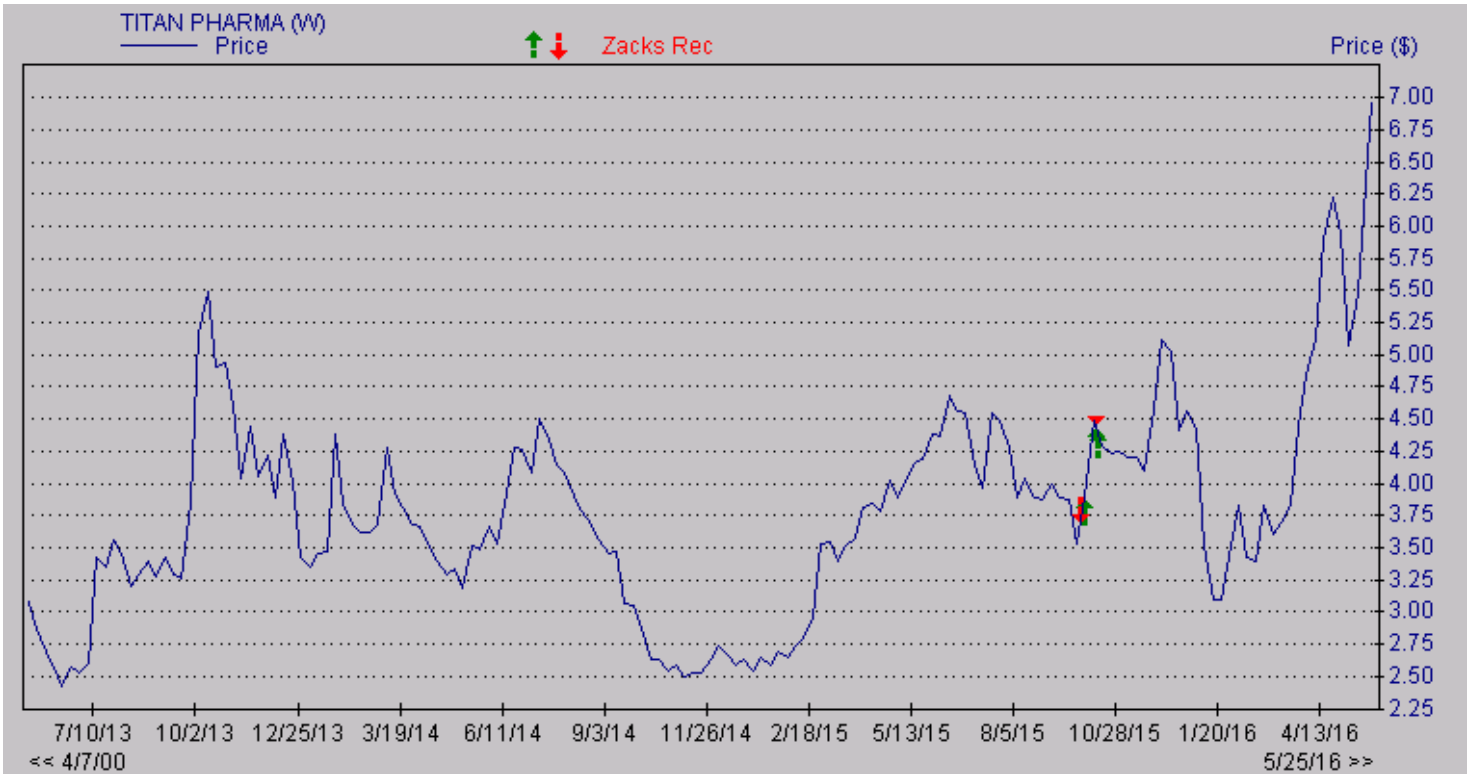
Titan Pharmaceuticals, Inc. - Income Statement

Titan Pharmaceuticals, Inc.	2015 A	Q1 A	Q2 E	Q3 E	Q4 E	2016 E	2017 E	2018 E
Probuphine Sales (at Partner)	*$0.0*	*$0.0*	*$0.0*	*$1.9*	*$5.8*	*$7.7*	*$97.3*	*$154.8*
YOY Growth	-					-	-	-
Probuphine Royalty	**$0.0**	**$0.0**	**$0.0**	**$0.3**	**$0.9**	**$1.2**	**$17.0**	**$27.9**
YOY Growth	-	-	-	-	-	-	*1372.9%*	*63.6%*
Licensing & Grant Revenue	**$1.7**	**$0.0**	**$15.0**	**$0.0**	**$0.0**	**$15.0**	**$8.0**	**$11.0**
Total Revenues	**$1.7**	**$0.0**	**$15.0**	**$0.3**	**$0.9**	**$16.2**	**$25.0**	**$38.9**
YOY Growth	-	*-100.0%*	*1873.7%*	-	-	*866.9%*	*54.9%*	*55.3%*
CoGS	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
R&D	$4.7	$0.7	$1.0	$1.2	$1.2	$4.1	$6.0	$6.0
SG&A	$3.8	$1.1	$0.9	$1.0	$1.0	$4.0	$5.0	$6.0
Operating Income	($6.8)	($1.8)	$13.1	($1.9)	($1.3)	$8.0	$14.0	$26.9
Operating Margin	-	-	*87.3%*	*-661.1%*	*-153.7%*	*49.7%*	*56.1%*	*69.1%*
Total Other Income	($4.5)	($0.0)	$0.0	$0.0	$0.0	($0.0)	$0.0	$0.0
Pre-Tax Income	($11.3)	($1.8)	$13.1	($1.9)	($1.3)	$8.0	$14.0	$26.9
Taxes & Other	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($11.3)	($1.8)	$13.1	($1.9)	($1.3)	$8.0	$14.0	$26.9
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($0.56)**	**($0.09)**	**$0.63**	**($0.09)**	**($0.06)**	**$0.38**	**$0.65**	**$1.22**
YOY Growth	*299.7%*	*-62.9%*	*-656.5%*	*1.0%*	*-45.0%*	*-167.8%*	*71.1%*	*87.1%*
Weight Ave. Shares Out	20.1	20.4	20.7	21.0	21.2	21.0	21.5	22.0

Source: Company Filing // Zacks Investment Research, Inc. Estimates

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