Zacks Small-Cap Research

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David Bautz, PhD
312-265-9471
dbautz@zacks.com

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

Opiant Pharmaceuticals Inc. (OPNT-NASDAQ)

OPNT: Uplists to NASDAQ…

Based on our probability adjusted DCF model that takes into account potential future revenues from treating opioid abuse, bulimia nervosa (BN), alcohol use disorder (AUD), and cocaine use disorder (CUD), OPNT is valued at $30/share. This model is highly dependent upon the commercial success of NARCAN® Nasal Spray and clinical success in treating BN, AUD, and CUD.

Current Price (08/29/17)	$23.48
Valuation	**$30.00**

OUTLOOK

On August 28, 2017, Opiant Pharmaceuticals, Inc. announced that the company's stock had been approved for trading on the Nasdaq Capital Market, which would commence on August 29, 2017. This is an important corporate milestone for the company and will help to provide better liquidity, increase visibility with investors, and ultimately expand the company's shareholder base.

In support of increasing the company's visibility, CEO Roger Crystal has appeared multiple times on television over the past month to discuss the country's ongoing opioid epidemic as well as NARCAN® Nasal Spray, the company's opioid overdose treatment.

SUMMARY DATA

52-Week High	**$24.40**
52-Week Low	**$5.35**
One-Year Return (%)	**225.84**
Beta	**3.61**
Average Daily Volume (sh)	**42,734**
Shares Outstanding (mil)	**2**
Market Capitalization ($mil)	**$48**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
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 2016 Estimate	**N/A**
P/E using 2017 Estimate	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of $)

	Q1 (Oct)	Q2 (Jan)	Q3 (Apr)	Q4 (Jul)	Year (Jul)
2016	0.1 A	6.9 A	2.6 A	0.3 A	9.9 A
2017	1.1 A	13.5 A	0.0 A	0.0 E	14.7 A
2018					0.0 E
2019					0.0 E

Earnings per Share

(EPS is operating earnings before non-recurring items)

	Q1 (Oct)	Q2 (Jan)	Q3 (Apr)	Q4 (Jul)	Year (Jul)
2016	-$6.00 A	$2.11 A	$0.22 A	-$0.42 A	-$4.09 A
2017	-$0.30 A	$5.31 A	-$1.55 A	-$0.87 E	$2.94 A
2018					-$4.83 E
2019					-$3.65 E

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WHAT'S NEW

Business Update

Opiant Uplists to the Nasdaq Stock Exchange

On August 28, 2017, Opiant Pharmaceuticals Inc. (OPNT) announced its shares of common stock were approved for listing on the Nasdaq Capital Market, effective August 29, 2017. This is an important corporate milestone, and is something that the company had previously indicated was a goal for the second half of 2017. We believe the uplisting will help to provide better liquidity, increase visibility with investors, and ultimately expand the company's shareholder base.

Opiant CEO On TV

In support of the company's efforts to expand its visibility, Opiant CEO Dr. Roger Crystal has made multiple television appearances over the past month, including:

- On July 26, 2017, Dr. Crystal appeared on the Fox Business Network. He was interviewed by Maria Bartiromo about the ongoing opioid epidemic in the U.S. and the advantages of NARCAN® Nasal Spray in treating victims of opioid overdose.

- On July 27, 2017, Dr. Crystal appeared on Fox & Friends during a recurring segment, titled "Addiction in America", that discusses various aspects of the addiction crisis in the U.S. The focus of the interview was the ongoing opioid epidemic and the advantages of NARCAN® Nasal Spay in treating opioid overdose. In addition, Dr. Crystal discussed the company's pipeline of addiction treatment candidates.

- On August 14, 2017, Dr. Crystal appeared on "The Story with Martha MacCallum" on the Fox News Channel to discuss President Trump's declaration of a national emergency in regards to the ongoing opioid epidemic in the U.S. In addition, Dr. Crystal commented on the wider access to NARCAN® Nasal Spray brought about by the national emergency declaration and the ability to get additional funding for the company's pipeline to continue developing additional addiction treatments.

Opiant Receives Additional $3.75 Million Payment From SWK

On August 10, 2017, Opiant Pharmaceuticals Inc. (OPNT) announced an additional $3.75 million payment from SWK Holdings Corporation related to the royalty monetization agreement related to the sale of NARCAN® Nasal Spray signed between Opiant and SWK in December 2016. According to the agreement, the $3.75 million payment was due to Opiant upon Adapt Pharma recording >$25 million in cumulative net sales of NARCAN® Nasal Spray for any two consecutive quarters from Oct. 1, 2016 to Sep. 30, 2017. This occurred over the first two quarters of 2017.

The royalty monetization agreement with SWK stipulates that SWK will receive all royalties on the sale of NARCAN® Nasal Spray up to $26.25 million dollars. Following that, the royalty rights will revert back to Opiant and SWK will receive a residual royalty of 10% on all royalties from the sale of NARCAN® Nasal Spray.

President Trump Declares Opiod Epidemic "National Emergency"; Presidential Task Force Recommends Co-Prescribing of Opioid Overdose Treatments

On August 10, 2017, President Trump declared the ongoing opioid epidemic in the U.S. a "national emergency", which will allow states and federal agencies more resources to combat the epidemic. The declaration of a national emergency will allow the executive branch to direct funds toward expanding treatment facilities and supplying police officers with naloxone, which may be in the form of NARCAN® Nasal Spray.

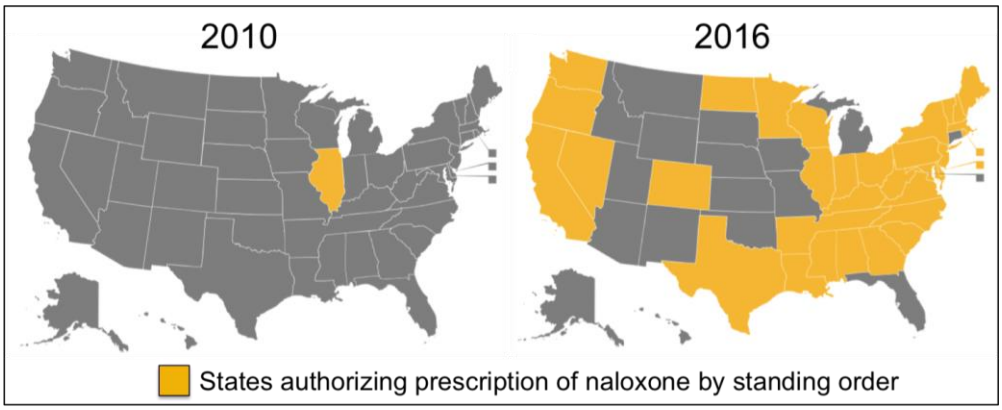
On March 29, 2017, President Trump signed an Executive Order establishing the President's Commission on Combating Drug Addiction and the Opioid Crisis. The Commission issued a draft interim report on July 31, 2017 that included a number of different recommendations to help combat the increased use of drugs, particularly opioids. Among those is a recommendation that all states should have a standing order to allow dispensing of

naloxone, that naloxone should be required to be co-prescribed with any high-risk opioid prescription, and that all law enforcement officials in the U.S. should carry naloxone.

> **Provide model legislation for states to allow naloxone dispensing via standing orders, as well as requiring the prescribing of naloxone with high-risk opioid prescriptions; we must equip all law enforcement in the United States with naloxone to save lives.**

Source: Whitehouse.gov

As the following chart shows, there has been a significant increase in the number of states that allow the prescribing of naloxone by standing order, however the President's Commission is pushing for all states to have a standing order for naloxone.



Adapted from: www.lawatlas.org

The requirement for co-prescribing of naloxone would be a significant development for companies that sell naloxone as there are an estimated 227 million opioid prescriptions written in the U.S. every year. In addition, as the opioid crisis continues to worsen, payers are likely to be receptive to covering naloxone with little to no co-pay. We believe Opiant would be a prime benefactor from a required co-prescription of naloxone, as NARCAN® Nasal Spray is a simple and affordable means by which to administer naloxone. However, even with the requirement for co-prescribing naloxone it would still be necessary to get patients comfortable with the idea of being prescribed an anti-overdose treatment and potentially paying for something that most would deem unnecessary.

Conclusion

The $3.75 million payment from SWK occurred sooner than we had modeled for, and we believe this is evidence of NARCAN® Nasal Spray selling well above our estimates. Adapt Pharma is a private company, thus we are unable to ascertain exact revenues of NARCAN® Nasal Spray. Before monetizing the royalties, Opiant received $105,097, $234,498, and $524,142 in royalties for NARCAN® Nasal Spray for the first, second, and third quarters of 2016, respectively. Those royalty numbers point to a rapid rise in sales of NARCAN® Nasal Spray (we model for a composite 11% royalty), and with at least $25 million in sales for the first two quarters of 2017, we believe that SWK may receive $26.25 million in royalties and milestone payments sooner than we had originally thought. We now model for royalties to revert back to Opiant in 2020, with peak sales of NARCAN® Nasal Spray of $250 million.

Opiant's stock has had an amazing run in the past month, rising from $11.50 on July 31, 2017 to the current price near $25. We believe this is due in part to management getting the word out about the company and investors beginning to recognize the value of NARCAN® Nasal Spray and its advantages over other forms of naloxone in treating opioid overdose. The company is continuing to execute on its business plan, with an uplist to the Nasdaq as the latest positive move. Thanks to the additional $3.75 million payment from SWK earlier in the month, the company is well financed to continue to advance its pipeline, and our current valuation is $30 per share.

PROJECTED FINANCIALS

Opiant Pharmaceuticals, Inc.
Income Statement

Opiant Pharmaceuticals, Inc.	FY 2016 A	Oct-16 A	Jan-17 A	Apr-17 A	Jul-17 E	FY 2017 E	FY 2018 E	FY 2019 E
NARCAN royalty	$0.1	$0.6	$0.0	$0.0	$0.0	$0.6	$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	-	-	-	-	-	-		
Cocaine Use Disorder	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
YOY Growth	-	-	-	-	-	-		
Licensing and Milestones	$9.8	$0.5	$13.5	$0.0	$0.0	$14.1	$0.0	$0.0
YOY Growth	-	-	-	-	-	-		
Total Revenues	**$9.9**	**$1.1**	**$13.5**	**$0.0**	**$0.0**	**$14.7**	**$0.0**	**$0.0**
YOY Growth	-	-	-	-	-	-		
Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin	-	-	-	-	-	-		
Research & Development	$1.7	$0.4	$0.3	$1.1	$0.5	$2.4	$3.0	$3.0
General & Administrative	$15.6	$1.2	$1.4	$2.0	$1.4	$6.0	$11.0	$11.0
Selling Expenses	$0.3	$0.0	$1.2	$0.1	$0.1	$1.4	$0.4	$0.5
Other Expenses	$0	$0	$0	$0	$0	$0	$0	$0
Operating Income	($7.7)	($0.6)	$10.6	($3.2)	($2.0)	$4.9	($14.4)	($14.5)
Operating Margin	-	-	-	-	-	-		
Non-Operating Expenses (Net)	($0.1)	($0.0)	$0.0	$0.0	($0.0)	$0.0	($0.1)	($0.1)
Pre-Tax Income	($7.8)	($0.6)	$10.6	($3.1)	($2.0)	$4.9	($14.5)	($14.6)
Income Taxes Paid	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	**($7.8)**	**($0.6)**	**$10.6**	**($3.1)**	**($2.0)**	**$4.9**	**($14.5)**	**($14.6)**
Net Margin	-	-	-	-	-	-		
Reported EPS	**($4.09)**	**($0.30)**	**$5.31**	**($1.55)**	**($0.87)**	**$2.36**	**($4.83)**	**($3.65)**
YOY Growth	-	-	-	-	-	-		
Basic Shares Outstanding	1.9	2.0	2.0	2.0	2.3	2.1	3.0	4.0

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

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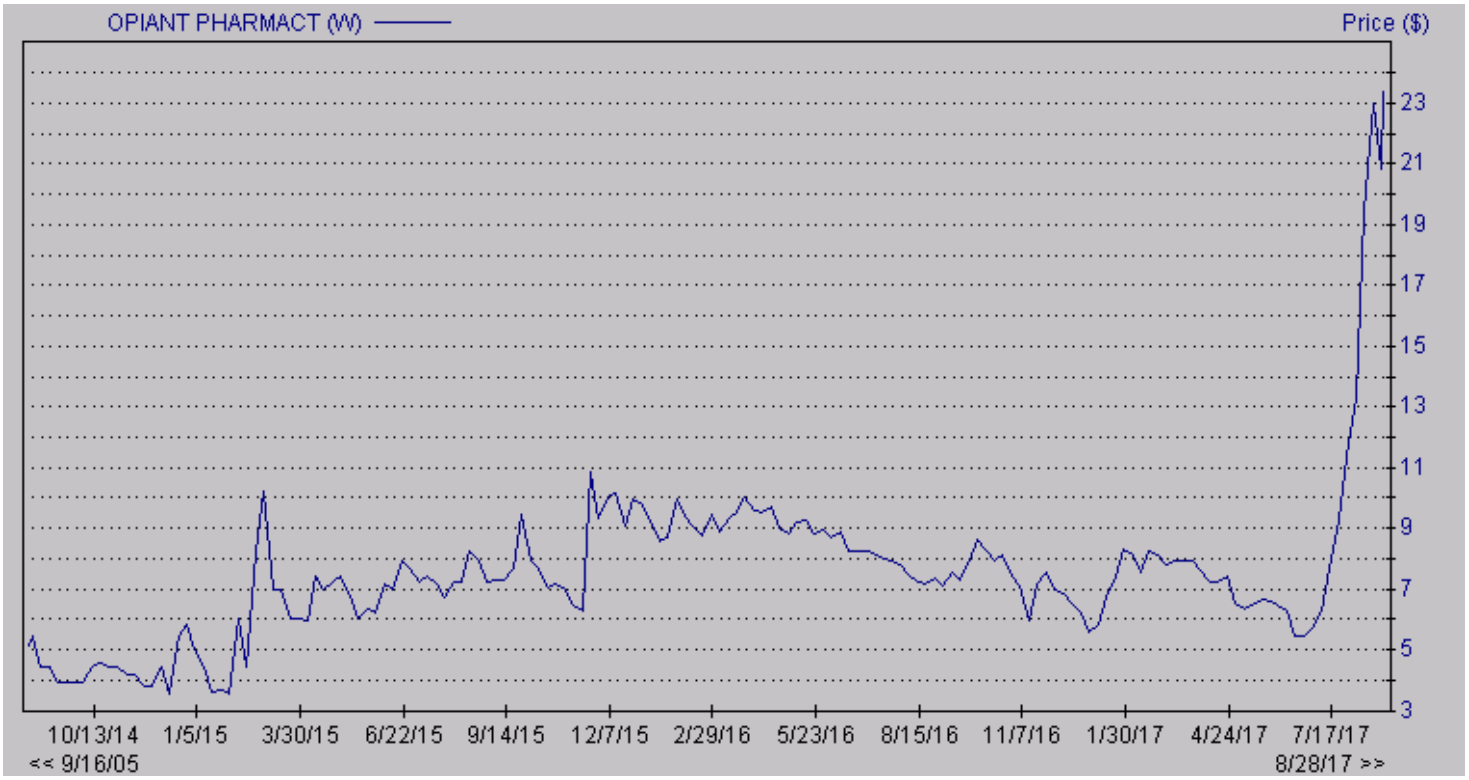
HISTORICAL STOCK PRICE



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