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May 16, 2019
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Titan Pharmaceuticals, Inc. (TTNP-NASDAQ)

Partnerships Get an A: AllianceRx, AppianRx & Accredo

Based on our DCF model and a 15% discount rate, TTNP is valued at approximately $16.00 per share based on contributions from Probuphine in the US, EU and Canada. We do not include contribution from other in-development programs.

OUTLOOK

Titan Pharmaceuticals is commercializing Probuphine with a multi-pronged strategy in the US and with partners in Canada and the European and contiguous region. Approval has been secured in the US and Canada. European approval is expected in 2Q:19.

Titan has received a two year grant to develop nalmefene using ProNeura for opioid relapse and overdose and may receive additional grants if milestones are met. The company has other projects in clinical and preclinical development that it will advance based on the availability of funding. All products use Titan's proprietary ProNeura drug delivery system. Consisting of ethylene-vinyl acetate and a drug substance, ProNeura is a novel approach to drug delivery conducive to settings that require long-duration slow release and controlled substance programs.

Current Price (5/15/19)	$1.70
Valuation	**$16.00**

SUMMARY DATA

52-Week High	**$2.45**
52-Week Low	**$0.17**
One-Year Return (%)	**112.5**
Beta	**-0.11**
Average Daily Volume (sh)	**815,805**
Shares Outstanding (mil)	**13.5**
Market Capitalization ($mil)	**$23.0**
Short Interest Ratio (days)	**2.4**
Institutional Ownership (%)	**5.0**
Insider Ownership (%)	**4.3**
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 2018 Estimate	**N/A**
P/E using 2019 Estimate	**N/A**
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)
2018	$1.1 A	$2.7 A	$1.7 A	$1.2 A	$6.6 A
2019	$0.9 A	$1.3 E	$1.6 E	$2.9 E	$6.7 E
2020					$13.9 E
2021					$27.5 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$0.74 A	-$0.25 A	-$0.64 A	-$0.29 A	-$1.64 A
2019	-$0.34 A	-$0.17 E	-$0.15 E	-$0.10 E	-$0.68 E
2020					-$0.30 E
2021					-$0.07 E

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WHAT'S NEW

First Quarter 2019 Financial and Operational Results

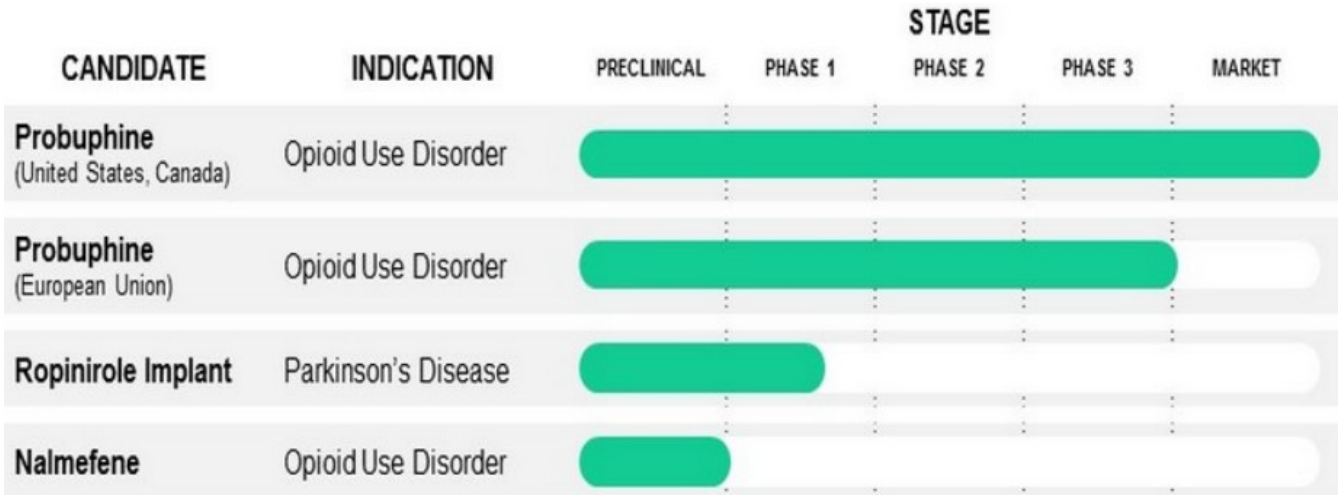
Several important events took place in the first quarter of 2019 for Titan Pharmaceuticals, Inc. (NASDAQ: TTNP) which were reported in the May 15th press release and in a concurrently filed 10-Q. During the quarter, Titan recorded total revenues of $0.9 million compared to $1.1 million in comparable period last year. Net loss of ($4.5) million or ($0.34) per share compares to prior year net loss of ($2.6) million and ($0.74) per share.[1] Highlights for the first quarter and year to date include partnerships with AllianceRx Walgreens Prime, AppianRx and Accredo specialty pharmacy. In Europe, the EMA adopted a positive opinion recommending authorization for the buprenorphine implant which will be branded Sixmo and in the United States, Titan has advanced its training efforts with providers to use Probuphine.

First quarter 2019 revenues of $0.9 million were comprised of $313,000 of license revenue and $317,000 in product sales of Probuphine and $315,000 of grant revenue. Grant revenue was related to the National Institute on Drug Abuse (NIDA) nalmefene implant project.

Cost of goods sold was $304,000, slightly less than product revenues, yielding a 4.1% gross margin. Cost of goods sold includes both the product cost, which is less than 10% of price and distribution cost, which is relatively fixed in dollar terms. Operating expenses were $4.9 million which consists of $1.8 million in research and development costs and $3.1 million in selling, general and administrative expenses. The 1% decline in R&D expenses reflected lower employee related costs offset by higher spend on external product development programs. SG&A expenses rose 91% due to greater commercial activities for Probuphine, higher consulting and professional fees, greater spend on outside services and travel costs.

Cash and equivalents as of March 31, 2019 were $5.9 million, compared to $9.3 million at the end of 2018. Debt was carried at $4.5 million. During the quarter, Titan received $600,000 from exercise of warrants. Cash burn was ($4.3) million in 1Q:19 compared to ($1.1) million in the comparable period. Cash levels appear to be sufficient to fund the company until the third quarter of 2019.

Exhibit I – Titan Pipeline



Partners

In the first five months of 2019 Titan announced partnerships with AllianceRx Walgreens Prime, AppianRx and Accredo to provide distribution and patient support services. These relationships are expected to shorten the time between product order and delivery and improve payment dynamics. Some of the changes that have been made include specialty pharmacy relationships with payors, a streamlined benefits authorization process, and holding inventory on-site. These improvements are expected to accelerate the process of delivering Probuphine to physicians and providing timely reimbursement. AllianceRx will carry inventory, manage insurance billing, offer payment processing and ship product to the provider. AppianRx will manage benefit verification, prior authorization,

[1] Note that per share amounts are adjusted for the 1:6 reverse stock consolidation that occurred on January 24, 2019.

appeals and co-pay/patient assistance, which should reduce time from prescription to payment. Accredo has also moved necessary paperwork to an online platform, automating the procurement process, providing real time information and satisfying REMS and verifying eligibility. We anticipate that Titan will continue to develop additional specialty pharmacy relationships to improve penetration.

Marketing Strategy

Titan outlined its internal marketing strategy after the return of Probuphine rights. The company has completed the transition process, including supply chain, logistics, medical affairs, REMS, training and reporting. Titan will pursue a targeted strategy with a 12-person commercial staff centering on four market segments:

- High Probuphine-prescribing physicians with long-term recovery oriented treatment programs.
  - Contact information already in database
  - Establish centers of excellence to generate referrals
  - Focus on reduction of complexity for supply chain and reimbursement
- Residential treatment facilities and Veteran's Administration Hospitals
  - Establish partnership with a few large programs
  - Train staff at VA hospitals
- Academic institutions with addiction treatment and training programs
  - Providers are trained in the use of this class of therapy
  - Nurse practitioner REMS and implant/removal training
  - Introduce Probuphine to next generation of providers
  - Develop KOLs who can disseminate the benefits of the therapy more widely
  - Generate additional investigator sponsored studies
- Criminal justice system
  - Provide help to high recidivism population
  - Initial focus on a few key programs with success to drive wider adoption

Veteran's Administration

The Veteran's Administration (VA) was recently added to the target groups in the marketing strategy. Titan has held discussions with the VA to make the case for Probuphine and to begin REMS training. A contract is in place with the agency and there will be additional discussions to set up training for VA providers so that they will be able to order the product.

Phase IV Probuphine Studies

Titan will initiate two Phase IV post-marketing studies this year. The first will be a small study estimated to cost from $3 to $4 million and will last for two to three years. It is slated to begin in the second quarter of 2019 and will evaluate the safety and pharmacokinetics of re-implantation of Probuphine into a previously used site on a patient's inner upper arm as well as implantation into an alternate location in the lower abdomen. A second, observational study is still in development and will start in the second half of the year. Trial cost for the second study is estimated to be around $8 million and will last for four years. It will assess implant procedure safety in an observational cohort design and is still being finalized. Titan is also participating in an industry consortium study to perform a QT prolongation study for patients treated with various forms of buprenorphine.

ATM Facility

In April 2019 Titan entered into an at the market (ATM) facility with Alliance Global Partners to sell up to $8.6 million worth of stock in the open markets. We believe that an ATM is one of the more shareholder friendly ways to raise small amounts of capital as it is relatively inexpensive from a transaction cost perspective and does not include any warrants or other dilutive securities. Due to Titan's market capitalization, it is restricted to raising a 33% of company market cap as its value is below $75 million and "Baby Shelf Rules" apply.

Knight Therapeutics

Canadian partner Knight launched Probuphine in October 2018 and is focused on commercializing the product in rural Canadian areas for patients without ready access to a physician. The company's press release highlighted Health Canada's approval of the implant in 2018 and Knight's exclusive right to distribute the drug and their launch of the product. On the first quarter 2019 conference call, Knight noted that Probuphine was being implanted in patients coast to coast in Canada and management will focus on identifying proper patients and physician training as the year progresses. Titan has received product and royalty revenues from the relationship.

Nalmefene

Beginning in October 2017, Titan conducted a feasibility assessment with Opiant to develop a product for prevention of opioid relapse and overdose in individuals with opioid use disorder (OUD). In September of 2018, Titan secured a grant from the National Institute for Drug Addiction (NIDA) to further this research using a ProNeura based six-month implantation formulation of nalmefene. The grant will provide $2.67 million during the first year and $6.08 million in the second year. The goal during the first two years is to complete IND-enabling work. Fund matching requirements exist and Titan must contribute $1.33 million in year one, but does not have an obligation in year two. There are an additional three years of funding that may be accessed if certain milestones are achieved. Titan expects to file an IND for ProNeura based nalmefene for the prevention of opioid relapse in 2H:20.

Summary

Titan is developing the necessary infrastructure for long-term success and implementing its multi-pronged growth strategy. Many near term revenue catalysts exist including a ramp up from Canadian sales in 1H:19 and MAA approval in Europe in 2Q:19. Internal efforts are also yielding sales and we anticipate sequential improvements in product revenue each quarter in 2019. Relationships with dominant specialty pharmacies are expected to shorten the time between order and delivery and also simplify the payor approval and REMS processes. While cash flow breakeven remains several quarters into the future, we anticipate that when capital is available, other development programs will be advanced. Our target price is approximately $16.00 per share.

PROJECTED FINANCIALS

Titan Pharmaceuticals, Inc. - Income Statement

Titan Pharmaceuticals, Inc.	2018 A	Q1 A	Q2 E	Q3 E	Q4 E	2019 E	2020 E	2021 E
Total Revenues	**$6.6**	**$0.9**	**$1.3**	**$1.6**	**$2.9**	**$6.7**	**$13.9**	**$27.5**
YOY Growth	*2978.6%*	*-11.2%*	*-53.1%*	*-3.0%*	*134.4%*	*1.1%*	*107.6%*	*97.8%*
Cost of Goods Sold	$0.538	$0.3	$0.4	$0.6	$0.5	$1.8	$2.2	$4.4
R&D	$7.5	$1.8	$2.1	$2.5	$2.7	$9.1	$10.0	$14.0
SG&A	$6.9	$3.1	$1.6	$1.7	$1.7	$8.1	$9.0	$11.0
Operating Income	($8.3)	($4.3)	($2.9)	($3.2)	($2.0)	($12.3)	($7.3)	($1.9)
Operating Margin	*-124.9%*	-	-	-	-	*-184.2%*	*-52.5%*	*-6.9%*
Total Other Income	($1.0)	($0.2)	($0.2)	($0.2)	($0.2)	($0.8)	($0.6)	$0.0
Pre-Tax Income	($9.3)	($4.5)	($3.1)	($3.4)	($2.2)	($13.2)	($7.9)	($1.9)
Taxes & Other	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($9.3)	($4.5)	($3.1)	($3.4)	($2.2)	($13.2)	($7.9)	($1.9)
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($1.64)**	**($0.34)**	**($0.17)**	**($0.15)**	**($0.10)**	**($0.68)**	**($0.30)**	**($0.07)**
YOY Growth	*-59.6%*	*-53.6%*	*-31.1%*	*-77.2%*	*-67.5%*	*-58.6%*	*-55.1%*	*-77.7%*
Weight Ave. Shares Out	5.7	13.2	18.0	23.1	23.5	19.5	26.0	28.0

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

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HISTORICAL STOCK PRICE

Titan Pharmaceuticals, Inc. – Share Price Chart



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