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Zacks Small-Cap Research

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CASI Pharmaceuticals (CASI-NASDAQ)

CASI: Strong start for product sales

Our valuation is $8.17 per basic share, based on sum-of-the-parts risk-adjusted NPV for each of its products less corporate overhead. The ANDA portfolio comprises the vast majority of our NPV valuation at $748 million. We expect the Company to continue to make deals in this space and have modeled for $500 million in annual generics sales by 2045. We value the licensed drugs at $90 million.

OUTLOOK

CASI posted its first product revenues in 3Q19, selling $2.7 million of Evomela in just over six weeks. This is slightly over half of our $6 million 2019 revenue estimate, suggesting that our estimates may be too conservative for 2019. However, we value CASI for its long-term potential and believe that these initial sales are simply one step towards what we believe will be a Company with over $100 million in sales by 2022.

Current Price (11/22/19)	$3.40
Valuation	**$8.17**

SUMMARY DATA

52-Week High	**$4.56**
52-Week Low	**$2.85**
One-Year Return (%)	**-10.29**
Beta	**1.11**
Average Daily Volume (sh)	**84,992**
Shares Outstanding (mil)	**96**
Market Capitalization ($mil)	**$328**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**11**
Insider Ownership (%)	**24**
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 2019 Estimate	**-8.5**
P/E using 2020 Estimate	**-16.4**
Zacks Rank	**N/A**

Risk Level	**Above Avg.,**
Type of Stock	**Small-Growth**
Industry	**Med-Drugs**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	0 A	0 A	0 A	0 A	0 A
2019	0 A	0 A	2.7 A		6 E
2020					21 E
2020					68 E

Earnings per share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$0.05 A	-$0.07 A	-$0.10 A	-$0.10 A	-$0.32 A
2019	-$0.09 A	-$0.10 A	-$0.10 A		-$0.40 E
2021					-$0.21 E
2021					$0.11 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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COMPANY UPDATE

In its first six weeks on the market, CASI Pharmaceuticals sold $2.7 million of Evomela, the only approved form of melphalan available in China. This is the Company's first commercialized product and we are encouraged to see CASI's progress towards establishing its footprint as a leading provider of high quality proprietary, licensed and ANDA pharmaceuticals to the rapidly evolving Chinese market.

Third quarter results

CASI Pharmaceuticals reported 3Q19 results on November 12. Results reflected marketing and inventory investment for Evomela, progress towards gaining regulatory approvals for Marqibo and Zevalin and the continued expansion of its robust product portfolio with an agreement to develop and distribute Octreotide LAI (long-acting injection) for acromegaly and neuroendocrine tumors in September. The Octreotide LAI agreement is CASI's third addition to its product portfolio this year. In the first half of 2019, CASI acquired the rights to CID-103 (also known as TSK011010), an anti-CD38 monoclonal antibody, expanding the Company's hematology product pipeline.

COGS came in at $2.6 million for the quarter, or 97% of revenues, reflecting start-up costs and contract inefficiencies. Longer-term we expect COGS for Evomela to be c. 45% (including royalties).

Research and development for 3Q19 was largely flat at $1.8 million, compared with the year-earlier period and down $1.1 million sequentially, reflecting the shift of Evomela expenses from R&D to COGS. Selling and marketing expenses totaled $1.0 million. General and administrative spending climbed to $7.9 million in the quarter, compared with $7.0 million in 2Q19 reflecting costs associated with the Evomela launch.

In total, CASI reported a net loss of ($0.10) per share, or ($9.6 million) compared with a loss of ($0.10) per share or ($8.8 million) the year-earlier period and ($0.16) per share, or ($15.3 million) in the second quarter.

HISTORICAL STOCK PRICE



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