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Zacks Small-Cap Research

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Wize Pharma Inc. (WIZP-OTC)

WIZP: 3Q19: Progress and partnerships

We value WIZP at $2.93/share based on an NPV for LO2A for Sjögren's Syndrome and conjunctivochalasis (CCH) in the US. Our model assumes that WIZP carries all R&D costs through approval (estimated at $22 million) and out-licenses the product to another company that will handle sales and marketing and pay a 20% royalty on sales to WIZP.

Current Price (11/22/19)	$0.25
Valuation	**$2.93**

OUTLOOK

In the September quarter, Wize Pharma added to its product portfolio by signing development agreement with Copernicus Therapeutics for a novel gene therapy to treat a genetic cause of vision loss. Separately, Wize continued working towards seeking FDA approval for LO2A, a proprietary formulation of artificial tears for the treatment of Sjögren's and conjunctivochalasis (CCH) in dry eye syndrome. While the competitive landscape is significant, we believe the company will carve out a modest share of the US market based on LO2A's approval for DES, Sjögren's and CCH in four European nations if it receives FDA approval.

SUMMARY DATA

52-Week High	**$1.17**
52-Week Low	**$0.15**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**5,773**
Shares Outstanding (mil)	**11**
Market Capitalization ($mil)	**$3**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**N/A**
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	**-0.5**
P/E using 2020 Estimate	**-0.4**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**N/A**
Industry	**Med-Biomed/Gene**
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	0 A		0 A
2020					0 E
2021					0 E

Earnings per share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$0.02 A	-$0.17 A	-$0.10 A	-$0.31 A	-$0.61 A
2019	-$0.00 A	-$0.18 A	-$0.08 A		-$0.49 E
2020					-$0.70 E
2021					-$0.94 E

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

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COMPANY UPDATE

The September quarter at Wize Pharma was one of continued progress on LO2A and a new product partnership.

Copernicus – Technology license to develop treatment for genetic cause of blindness

In September, Wize signed an agreement to license a unique non-viral gene therapy technology to treat choroiderema (CHM) from privately-held Copernicus Therapeutics.

Some 15,000 people in the G7 countries have CHM, a prevalence of 1/50,000. CHM leads to progressive vision loss beginning in childhood and usually results in blindness by adulthood. There is currently no treatment for CHM.

Copernicus' technology (WP-REP1) uses nanoparticles to deliver a normal CHM gene to the eye. As the technology is not based on a viral vector, it is designed to avoid the immune response problems stemming from traditional gene therapies. While the drug is still in the preclinical stage, management believes that it will not require large clinical trials in part because there are well-established clinical endpoints. Gene therapy has proved successful in treating ophthalmic diseases and the FDA approved Luxtura for Leber congenital amaurosis, a rare genetic retinal disease.

The license is expected to be completed by the end of the year. The agreement calls for Wize to provide funding to develop a phase I/II study and milestone payments. If the drug is successful, Wize will pay an upfront license fee and royalties.

Third quarter results

WIZP posted third quarter results in line with expectations. The Company posted a loss of $0.9 million, compared with a loss of $0.6 million in the year earlier period. The difference stemmed from increased interest expense, which totaled $0.1 million in the quarter, compared with interest income of $0.4 million in the year-earlier period.

R&D spend was stable at $0.2 million in the quarter from $0.2 million a year ago. Lower minimum payments under its LO2A license obligation to Resdevco (the patent holder) were offset by higher spending for additional trial work in preparation for a pre-IND meeting with the US FDA sometime in early 2020. General and administrative expense moderated slightly to $0.6 million from $0.7 million in the year-earlier period. Cash used in operating activities was stable at to $0.4 million, compared with the year-earlier period and the first two quarters of 2019 All in, the Company remains in its expected burn rate of $150,000-200,000 per month.

We are maintaining our estimates for 2019-2023 along with our valuation target of $2.93 per share.

INVESTMENT SUMMARY

Company Description: Wize Pharma, Inc. is a clinical-stage company focused on developing an in-licensed product, for the treatment of dry eye syndrome (DES) and related conditions including Sjögren's syndrome and conjunctivochalasis (CCH). LO2A is approved and marketed by its inventor in several European nations, with over 1.5 million packages sold in 2018. Wize has the rights to develop LO2A for the US, China, Israel and the option to license the rights for additional markets, including those where LO2A is currently sold. On April 29, Wize released full results for its phase II trial of LO2A in patients with moderate-to-severe CCH. The trial met its primary endpoint of diminishing objective parameters of corneal damage with a strong trend towards statistical significance in a key clinical measure. Wize is also conducting a phase IV study of LO2A in patients with Sjögren's Syndrome. The Company intends to submit these studies to the US FDA in order to discuss the clinical approval pathway. We expect progress towards US FDA approval will be the primary catalyst for share price improvement during the next two years.

Valuation: Our value for WIZP of $2.93/share is based on an NPV for LO2A for Sjögren's Syndrome and CCH in the US. Our model assumes that WIZP carries all the R&D costs through approval (estimated $18 million) and then out-licenses the product to another company that will handle sales and marketing and pay a 20% royalty on sales to WIZP. We've taken a conservative approach and used peak net debt of $26 million in our valuation to reflect the cost of funding the business until anticipated approval in 2023. Several factors provide upside to our valuation including: pre-approval partnership that provides milestones and/or R&D cost sharing; a faster, or less-costly path to US approval; and the potential for LO2A sales in other geographies (such as China) and development/sales of other products (such as the recently-announced partnership with Cannabics Pharmaceuticals, Inc. (CNBX-OTC) to explore and develop cannabinoid formulations to treat ophthalmic conditions.

Financials: Our model is based solely on LO2A and the US market. The Company's current burn rate is $150,000-$200,000 per month; however, that rate will increase once Phase III trials commence. We expect the Company will need $22 million of additional funds to get LO2A through the approval process with the highest cash outflow in 2022 based on costs for the Phase III trial and those associated with a commercial launch.

In 2023, we forecast product sales of $65 million, based on a 0.5% share of both the SS and CCH markets in the US. At a 20% royalty rate, these assumptions translate into $13 million to WIZP's top line. Our long-term operating margin is 90% based on royalty revenues and before corporate overhead.

Sensitivities: Wize Pharma has several competitive advantages in its drug candidate, LO2A, notably existing approval overseas, a long history of safety and significant market share in Switzerland (the first approved market). Regarding Wize Pharma and the US market opportunity, there are a number of complexities that may affect the actual outcome and our estimates, most notably financing and partnership risk as well as what we expect will be a highly competitive market for LO2A based on an active development pipeline.

HISTORICAL STOCK PRICE



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