Zacks Small-Cap Research
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ContraFect Corp. (CFRX-NASDAQ)

CFRX: Financing Raises $12 Million, including $3 Million from Pfizer…

Based on our probability adjusted DCF model that takes into account potential future revenues from CF-301 in bacteremia along with the lysin pipeline, CFRX is valued at $3/share. This model is highly dependent upon continued clinical success of CF-301 and additional lysin products and will be adjusted accordingly based upon future clinical results.

Current Price (12/16/19)	$0.43
Valuation	**$3.00**

OUTLOOK

ContraFect Corp. (CFRX) is developing exebacase for the treatment of patients with bacteremia caused by *Staphylococcus aureus*. The company recently closed on a public offering of 37.15 million shares priced at $0.27 per share. Concurrently, a $3 million private placement was closed with Pfizer, Inc. (PFE), a move we believe shows Big Pharma is keeping exebacase on their radar.

We anticipate ContraFect initiating the Phase 3 trial of exebacase before the end of 2019. It will involve approximately 350 patients randomized 2:1 to receive exebacase or placebo in addition to standard of care antibiotics for methicillin-resistant *S. aureus* (MRSA) bacteremia, including right-sided endocarditis. An interim analysis will be performed once the first 60% of patients enrolled into the trial are evaluable for efficacy.

SUMMARY DATA

52-Week High	**$2.08**
52-Week Low	**$0.29**
One-Year Return (%)	**-79.33**
Beta	**0.23**
Average Daily Volume (sh)	**677,024**
Shares Outstanding (mil)	**128**
Market Capitalization ($mil)	**$55**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**31**
Insider Ownership (%)	**7**
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	**-3.0**
P/E using 2020 Estimate	**-0.8**

Risk Level	**High**
Type of Stock	**Small-Growth**
Industry	**Med-Drugs**

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 E	0 E
2020					0 E
2021					0 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$0.26 A	-$0.27 A	-$0.06 A	$0.07 A	-$0.50 A
2019	$0.15 A	-$0.11 A	-$0.07 A	-$0.08 E	-$0.12 E
2020					-$0.36 E
2021					-$0.39 E

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WHAT'S NEW

Financial Update

On December 10, 2019, ContraFect Corp. (CFRX) announced pricing of a previously announced public offering in which the company sold 37.15 million shares of common stock at an offering price of $0.27 per share. Concurrently, the company sold approximately 11.1 million shares at $0.27 per share to Pfizer, Inc. (PFE) in a direct offering, which includes a nine-month lock-up period. We estimate that following this offering, ContraFect will have sufficient capital to fund operations into the second quarter of 2020. While this financing is enough to initiate the Phase 3 clinical trial of exebacase, the company will need to raise additional funds to complete the Phase 3 clinical trial. We estimate that the company will now have approximately 127.7 million common shares outstanding following the financing and direct offering, and a fully diluted share count of approximately 170.5 million when factoring in stock options and warrants.

Business Update

Phase 3 Clinical Trial to Initiate in 4Q19

On October 2, 2019, ContraFect announced that following a successful 'end-of-Phase 2' meeting with the FDA the company is planning to conduct a single Phase 3 clinical trial of exebacase in patients with *Staphylococcus aureus* bacteremia, including right-sided endocarditis (NCT04160468). The randomized, double blind, placebo controlled DISRUPT (Direct Lysis of *Staph aureus* Resistant Pathogen Trial) study will be conducted at centers in the U.S. and will enroll approximately 350 patients randomized 2:1 to receive either exebacase or placebo, with all patients receiving standard of care antibiotics. The primary endpoint of the trial will be clinical response at Day 14 in patients with methicillin-resistant *S. aureus* (MRSA) bacteremia, including right-sided endocarditis. Key secondary endpoints include clinical response rate at Day 14 for all *S. aureus* bacteremia patients (including both MRSA and methicillin-sensitive *S. aureus* [MSSA]), 30-day all-cause mortality in MRSA patients, and clinical response at Day 60. An interim futility analysis will be conducted after the first 60% of patients enrolled into the trial are evaluable for efficacy. We anticipate the trial initiating in the fourth quarter of 2019.

Study Initiated in Arthroscopic Debridement and Implant Retention

ContraFect recently announced the start of an investigator-initiated study of exebacase in a study of arthroscopic debridement and implant retention (DAIR) that entails local administration of exebacase to treat prosthetic knee infections in elderly patients caused by multidrug-resistant *S. aureus*. We hope to receive an update on this trial in the first quarter of 2020. Given the ability of exebacase to rapidly clear biofilms, as shown in the following figure, we view the application of the drug in treating difficult-to-clear prosthetic infections, which typically are the result of biofilm formation, as a natural next step in its development life cycle.



Source: ContraFect Corp.

Conclusion

Getting Pfizer's support for the development of exebacase through the direct offering is a big win for ContraFect and shows that Big Pharma is paying attention to the development of the drug. We look forward to the initiation of the Phase 3 clinical trial and additional guidance on when the interim futility analysis and top line data will be available. With the same primary endpoint as the Phase 2 trial, we believe there is a very high likelihood for success in the Phase 3 trial. We had already accounted for the need to raise additional capital to fund the Phase 3 trial in our model, thus there is no change to our current valuation of $3 per share.

PROJECTED FINANCIALS

ContraFect Corp.	2018 A	Q1 A	Q2 A	Q3 A	Q4 E	2019 E	2020 E	2021 E
CF-301 (Bacteremia)	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth		-	-	-	-			
Grants & Collaborative Revenue	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth		-	-	-	-			
Total Revenues	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth		-	-	-	-			
Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin		-	-	-	-			
Research & Development	$22.4	$4.1	$4.8	$5.3	$5.3	$19.5	$24.0	$28.0
General & Administrative	$8.7	$2.3	$2.6	$2.4	$2.3	$9.5	$9.5	$10.0
Other Expenses	$0	$0	$0	$0	$0	$0	$0	$0
Operating Income	($31.1)	($6.4)	($7.4)	($7.6)	($7.6)	($29.0)	($33.5)	($38.0)
Operating Margin		-	-	-	-			
Non-Operating Expenses (Net)	($6.6)	$17.9	($1.3)	$2.3	$0.0	$19.0	$0.0	$0.0
Pre-Tax Income	($37.7)	$11.6	($8.7)	($5.4)	($7.6)	($10.0)	($33.5)	($38.0)
Income Taxes Paid	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	**($37.7)**	**$11.6**	**($8.7)**	**($5.4)**	**($7.6)**	**($10.0)**	**($33.5)**	**($38.0)**
Net Margin		-	-	-	-			
Reported EPS	**($0.50)**	**$0.15**	**($0.11)**	**($0.07)**	**($0.08)**	**($0.12)**	**($0.36)**	**($0.39)**
YOY Growth		-	-	-	-			
Basic Shares Outstanding	76.1	79.4	79.4	79.4	91.0	82.3	92.0	98.0

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

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