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Zacks Small-Cap Research

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EyeGate Pharmaceuticals (EYEG-NASDAQ)

EYEG: Feeling optimistic

Our $15.00 valuation for EYEG is based on a 10-year DCF with terminal market shares of 15-20% in the US, 20% royalties, 10% discount rate, 20% terminal EBIT margin, 25% tax rate and $3 million in net cash.

OUTLOOK

EyeGate Pharmaceuticals is a late-stage clinical company developing better solutions to current treatments for post-surgical eye care and moderate to severe dry eye using OBG, its proprietary cross-linked formulation of sodium hyaluronate (HA). The Company is preparing its IND filing for OBG as an alternative to a bandage contact lens following PRK surgery. EYEG is completing a follow-on pilot study for OBG in punctate epitheliopathies (PE), a condition arising from dry eye and other forms of eye irritation.

Current Price (11/24/20)	$3.36
Valuation	**$15.00**

SUMMARY DATA

52-Week High	**$12.20**
52-Week Low	**$3.24**
One-Year Return (%)	**-54.04**
Beta	**1.32**
Average Daily Volume (sh)	**15,681**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$16**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**42**
Insider Ownership (%)	**57**
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 2020 Estimate	**-2.1**
P/E using 2021 Estimate	**-2.6**
Zacks Rank	**N/A**

Risk Level	**Above Avg.,**
Type of Stock	**Small-Blend**
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	1.1 A	0.2 A	0.3 A	0.1 A	1.7 A
2019	2.7 A	0.0 A	0.0 A	0.0 A	2.7 A
2020	0.0 A	0.0 A	0.0 A		0.1 E
2021					8.0 E

Earnings per share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$2.10 A	-$1.05 A	-$1.05 A	-$0.75 A	-$4.50 A
2019	$0.15 A	-$0.60 A	-$1.15 A	-$0.76 A	-$2.23 A
2020	-$0.43 A	-$0.38 A	-$0.44 A		-$2.67 E
2021					-$1.36 E

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

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COMPANY UPDATE

At the end of September, we raised our target valuation for EyeGate Pharmaceuticals from $12.00 to $15.00 based on solid progress in its existing pipeline and the introduction of a new candidate for treating bacterial conjunctivitis. We continue to expect that EyeGate Pharmaceuticals will achieve several clinical/commercial milestones during the next 12-18 months setting the stage for its first commercial product launch (likely through a licensing agreement).

In June 2020, EYEG received positive feedback from the FDA on its proposed packaging (a unique multi-dose bottle) and asked for several additional tests on the bottle. The Company expects to complete the tests and file a *de novo* application for OBG in PRK by the end of this year, with a decision in mid-2021.

A month later, EYEG received the go-ahead from the FDA for its pivotal study for using OBG in the treatment of punctate epitheliopathies (PEs) in dry eye. The Company expects to enroll patients in the first half of 2021. Top-line data is anticipated in the second half of 2021 and will be part of the *de novo* filing planned for later that year.

Finally, following a meeting with the FDA in August, EYEG announced plans for an IND for OBG in the treatment of bacterial conjunctivitis. The product, Moxigel, combines EYEG's OBG technology with moxifloxacin, an antibiotic. The IND filing requires a short (28-day) toxicity study and the Company expects to file its IND in the first half of 2021. Once the IND is approved, the Company is expected to proceed with two clinical studies, beginning in the second half of 2021.

Our $15.00 valuation reflects royalty-based sales of $67 million by 2030 for both the PRK and PE indications, based on 15-20% terminal market shares. Our 10-year DCF uses 2% terminal sales growth, 20% EBIT margin and 25% tax rate, discounted back at 10%. We do not include any potential upfront or milestone payments in this calculation and assume all research and development expense is borne by EyeGate. Our out-licensing assumptions may prove conservative. EYEG's 2015 licensing deal with Valeant Pharmaceuticals (NYSE-BHC) to commercialize EGP-437 for uveitis (prior to ph III trials) included $1 million in upfront payments, up to c. $32 million in development, regulatory and sales milestones and high single digit royalties on sales.

Recent financial results

For 3Q20, EyeGate reported operating expenses of $2.0 million, compared to $3.4 million in the year-earlier period. Research and development totaled $0.98 million, down from $2.4 million in 3Q19. The drop was primarily related to the completion of its pivotal PRK clinical trials for OBG. General and administrative expenses of $1.0 million in the quarter were largely unchanged from a year ago.

EyeGate had cash and equivalents of $2.8 million at the end of the quarter. In early January 2020, the Company raised an additional $4.5 million in net proceeds from a registered direct offering of 500,000 shares. We expect a similarly-sized raise in early 2021 and suspect that the share price is being constrained somewhat by this fact.

HISTORICAL STOCK PRICE



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