

Zacks Small-Cap Research

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EyeGate Pharmaceuticals (EYEG-NASDAQ)

EYEG: Moving forward

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 \$6.6 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 recently acquired Panoptes Pharma, a privately-held clinical stage biotech company developing a non-steroidal inhibitor of Dihydroorotate Dehydrogenase (DHODH) for the treatment of uveitis, viral conjunctivitis and dry eye disease.

Current Price (05/17/21) \$3.76
Valuation \$15.00

SUMMARY DATA

52-Week High \$7.68
52-Week Low \$3.24
One-Year Return (%) -22.04
Beta 1.18
Average Daily Volume (sh) 25,412

Shares Outstanding (mil) 7
Market Capitalization (\$mil) \$27
Short Interest Ratio (days) N/A
Institutional Ownership (%) 27
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 2021 Estimate -2.4
P/E using 2022 Estimate N/A

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	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2019	2.7 A	0.0 A	0.0 A	0.0 A	2.7 A
2020	0.0 A				
2021	0 A				8 E
2022					

Earnings per share

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
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	-\$0.52 A	-\$1.77 A
2021	-\$0.37 A	-\$0.42 E	-\$0.39 E	-\$0.36 E	-\$1.54 E
2022					

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

COMPANY UPDATE

Much has been going on at EyeGate Pharmaceuticals in recent months including an \$8.0 million private placement, acquisition of Panoptes Pharma and the expansion of management.

On December 18, 2020, EyeGate Pharmaceuticals announced it will acquire Panoptes Pharma, a privately-held clinical stage biotech company developing a non-steroidal inhibitor of Dihydroorotate Dehydrogenase (DHODH) for the treatment of uveitis, viral conjunctivitis and dry eye disease. EyeGate will acquire Panoptes for approximately \$4 million in stock, preferred stock and cash with two additional milestone payments of up to \$4.75 million contingent on the start of a pivotal phase III trial and NDA approval.

In our view, the acquisition dovetails with EyeGate's existing development pipeline centered on delivering ophthalmic therapeutics through its novel optical bandage gel (OBG) eyedrops while expanding into proprietary molecules as well. Panoptes' lead candidate, PP-001, is a non-steroidal, immuno-modulatory, small molecule inhibitor of Dihydroorotate Dehydrogenase (DHODH). DHODH inhibitors have been US FDA approved for Multiple Sclerosis and Rheumatoid Arthritis and are being investigated for other inflammatory, viral and oncology conditions. First-generation DHODH inhibitors come with a risk of adverse events, notably elevated liver enzymes and hepatotoxicity when delivered systemically. Researchers are working to address these issues in newer versions.

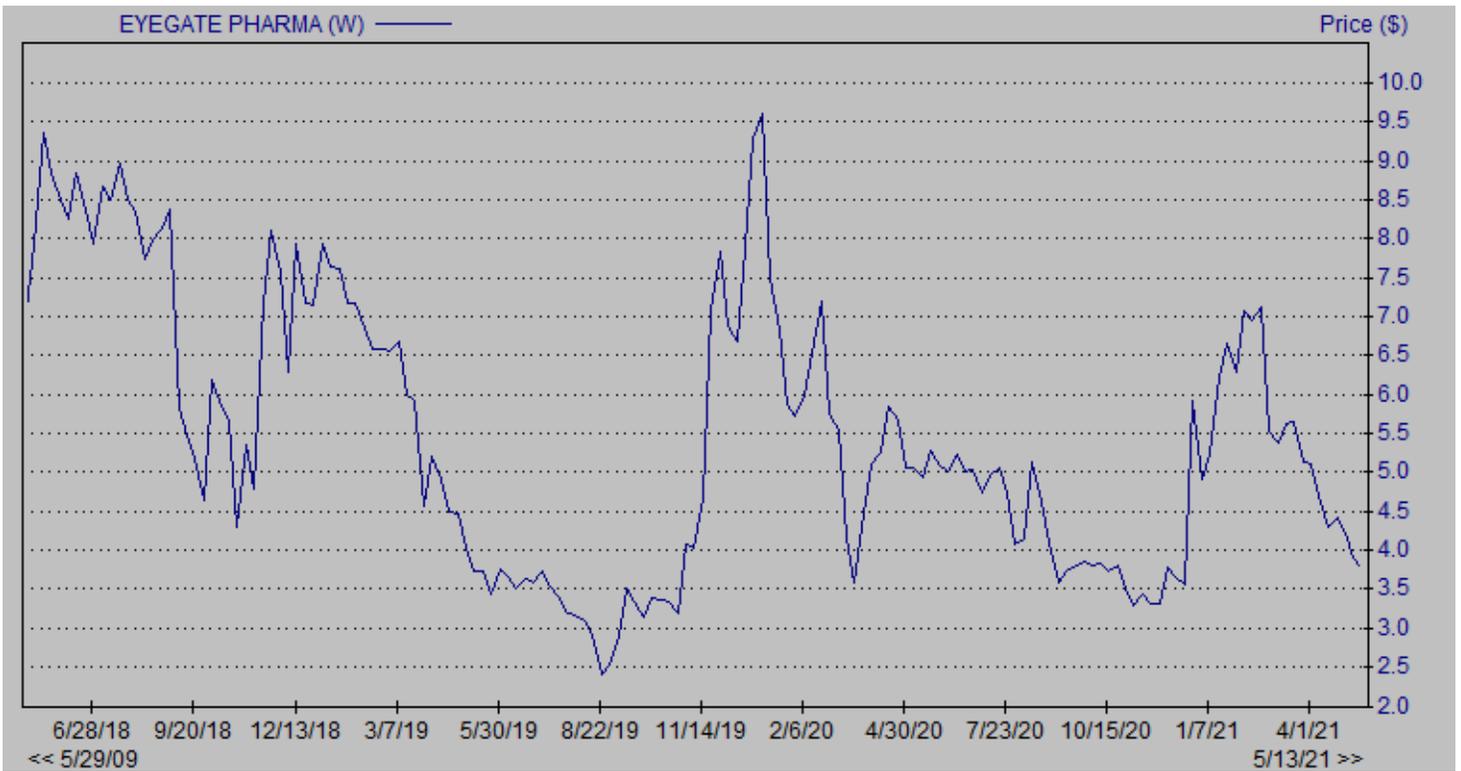
PP-001 was designed to minimize or avoid unwanted side effects and safety issues and is being evaluated in two ophthalmic formulations – PaniJect and PaniDrop. PaniJect is an intravitreal injection for inflammatory diseases of the eye including posterior uveitis with Phase 1b/2a safety and efficacy data. PaniDrop, an eye drop for viral conjunctivitis and dry eye disease has completed Phase 1 safety data. As part of the transaction, Panoptes' founder, Franz Obermayr, PhD, became CEO of EyeGate Pharmaceuticals and Stephen From is now Executive Chairman.

In January, the Company completed an \$8.0 million private placement with Armistice Capital, LLC. The financing included 1,531,101 shares of EYEG stock, and warrants to purchase an additional 1,531,101 shares of stock at \$5.225 per share. The warrants have a five-year term and can be exercised after six months (July 2021). With the proceeds, EYEG had \$6.6 million on its balance sheet at the end of March. The Company anticipates this will be sufficient to fund operations until August this year. In our view, it's reasonable to expect that Armistice may exercise its warrants in the next round of funding, which would generate approximately another \$8.0 million.

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).

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 phase 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.

HISTORICAL STOCK PRICE



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