Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

May 28, 2021

John D. Vandermosten, CFA
312-265-9588 / jvandermosten@zacks.com

scr.zacks.com **10 S. Riverside Plaza, Chicago, IL 60606**

Reviva Pharmaceuticals. (RVPH - NASDAQ)

First Quarter Update & Capital Raise

Based on our DCF model and a 15% discount rate, Reviva is valued at approximately $20.00 per share. Our model applies a 50% probability of ultimate approval and commercialization for RP5063 for schizophrenia. The model includes contributions from the United States and rest of world.

Current Price (5/27/21)	$5.55
Valuation	**$20.00**

OUTLOOK

Reviva is a research and development pharmaceutical company with two portfolio compounds targeting nine indications. The candidates address multiple related mental disorders, rare diseases & other categories of unmet need. Reviva's lead indication in schizophrenia with brilaroxazine (RP5063) will begin a Phase III trial in 2021. Complementary Phase II work with RP5063 in bipolar disorder and depression may also begin.

Brilaroxazine is a novel, multimodal serotonin, dopamine & nicotinic receptors modulator with an improved efficacy & side effect profile compared with other antipsychotics. The drug class is established with over $10 billion in revenues. Unmet needs persist in the category, related to efficacy, side effects & discontinuation. Brilaroxazine's improved profile is expected to carve material share from the existing market and expand into untreated patients. Secondary candidate, RP1208, is in preclinical studies for depression and obesity.

We expect three Phase III trials for RP5063 starting in mid-2021, generating registrational data by 2024 assuming a sufficient capital raise. After agency review in the US and other jurisdictions, we anticipate approval to be granted by the FDA in 2025 followed by other territories. Our valuation assumes commercialization in the US and rest of world in 2025 and 2026 respectively.

SUMMARY DATA

52-Week High	**$15.10**
52-Week Low	**$3.93**
One-Year Return (%)	**-48.3**
Beta	**N/A**
Average Daily Volume (sh)	**1,550,211**
Shares Outstanding (mil)	**9.23**
Market Capitalization ($mil)	**$51.2**
Short Interest Ratio (days)	**0.06**
Institutional Ownership (%)	**6.41**
Insider Ownership (%)	**44.5**
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	**N/A**
P/E using 2021 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(in millions of $US)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2021	$0.0 A	$0.0 E	$0.0 E	$0.0 E	$0.0 E
2022					$0.0 E
2023					$0.0 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	-$0.27 A	-$0.31 A	-$0.24 A	-$0.16 A	-$1.24 A
2021	-$0.10 A	-$0.24 E	-$0.19 E	-$0.28 E	-$0.85 E
2022					-$0.76 E
2023					-$0.49 E

© Copyright 2021, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

First Quarter 2021 Financial and Operational Results

On May 17, 2021, Reviva Pharmaceutical Holdings, Inc. (NASDAQ: RVPH) disclosed first quarter 2021 financial and operational results, filing its form 10-Q with the SEC.

At the end of 2020, Reviva went public following a merger with Tenzing Acquisition Corp., a special purpose acquisition company, and commenced trading on the NASDAQ Capital Market under ticker symbol RVPH on December 15, 2020. On the clinical front, Reviva had already completed a Phase II trial of lead candidate, brilaroxazine (RP5063) and completed its End-of-Phase 2 meeting with the FDA, where the latter agreed to consider a "Superior Safety" label claim. Reviva is now planning a Phase III clinical trial for its lead candidate that is expected to commence in the third quarter. In this report we summarize recent financial results, provide details on Reviva's $30 million raise and provide an analysis of RP5063 in comparison with other antipsychotics in terms of safety and efficacy.

Reviva generated no revenues in the first quarter 2021 and expended ($1.87) million in operational costs producing a net loss of ($949,300), or loss per share of ($0.10).

For the quarter ending March 31, 2021 and versus the quarter ending March 31, 2020:[1]

- Research & development expenses increased 44% to $391,000 from $271,000, primarily due to higher salary expenditures and increased consulting and drug development costs;
- General & administrative expenses increased 327% to $1.5 million from $347,000, driven mainly by a $630,000 increase relating to consultants and accounting and legal activities, and a $345,000 increase in insurance costs;
- Interest expense was absent vs $130,000 as all investor notes were converted prior to the merger in December;
- Gain on remeasurement of warrant liabilities was $923,000 resulting from decrease in stock price, affecting the calculated fair value;
- Net loss was ($949,300) versus ($748,962), or ($0.10) and ($0.27) per share, respectively.

At the end of the reporting period, Reviva held $5.64 million in cash on its balance sheet.

Capital Raise

On May 26, Reviva announced pricing for its $30 million capital raise, expected to close on June 1, 2021. The public offering will sell eight million shares of common stock (or prefunded warrants) attached to six million warrants (0.75 warrant per equity share or prefunded warrant). Pricing for the equity issuance will be $3.75 per share which is expected to raise $30 million in gross proceeds. There also exists a 15% overallotment of 1.2 million shares that may be issued over a 45 day period following the close of the deal. The overallotment, if fully executed, could potentially raise an additional $4.5 million gross. 900,000 warrants will be attached to these overallotment shares. Warrants issued will have an exercise price of $4.125 per share with a five year life.

The funds from the capital raise will be used to continue the clinical development of brilaroxazine (RP5063) for the treatment of acute and maintenance schizophrenia, for working capital and other general corporate purposes.

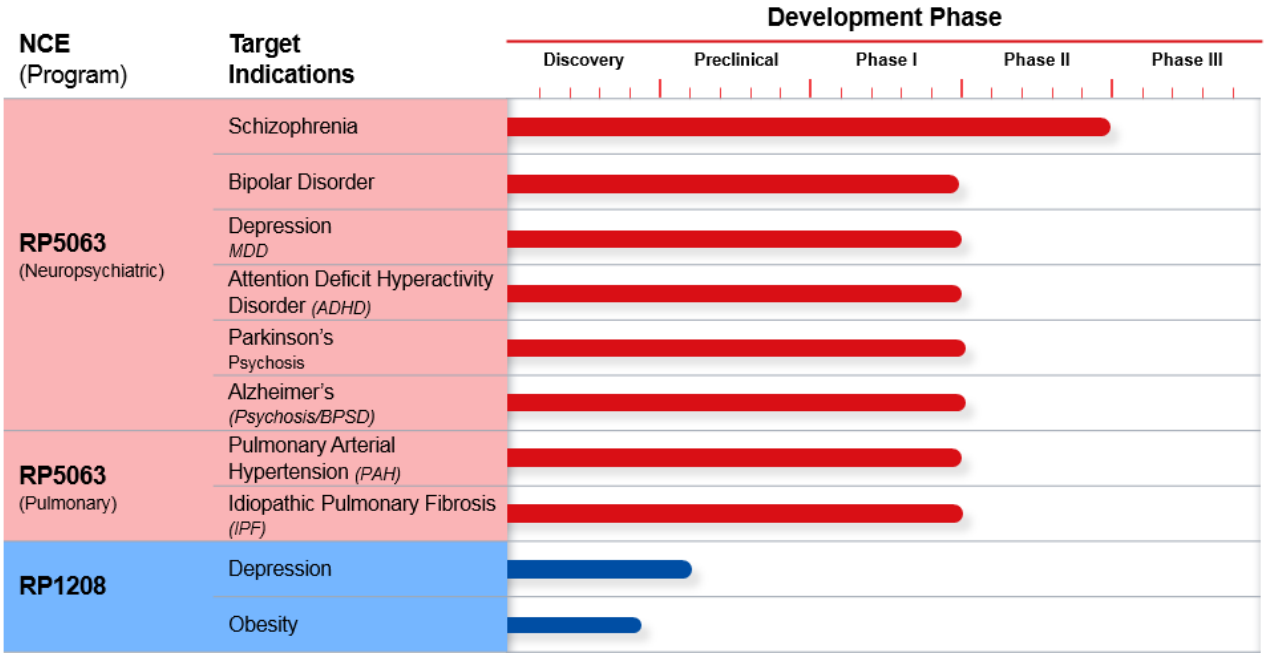
We adjust our price target to take into account the anticipated close of the capital raise and number of shares issued.

[1] Note: comparisons use prior year data as provided in the 10-Q.

Reviva Pharmaceuticals milestones:

- **Orphan Designation for RP5063 in IPF - April 2018**
- **Narayan Prabhu appointed Chief Financial Officer - November 2020**
- **Tenzing Acquisition Corp. merger completed - December 2020**
- **Phase III trial design finalization with FDA - 1H:21**
- **Phase III RP5063 in acute and maintenance schizophrenia – 3Q:21**

Exhibit I – Reviva Pipeline[2]



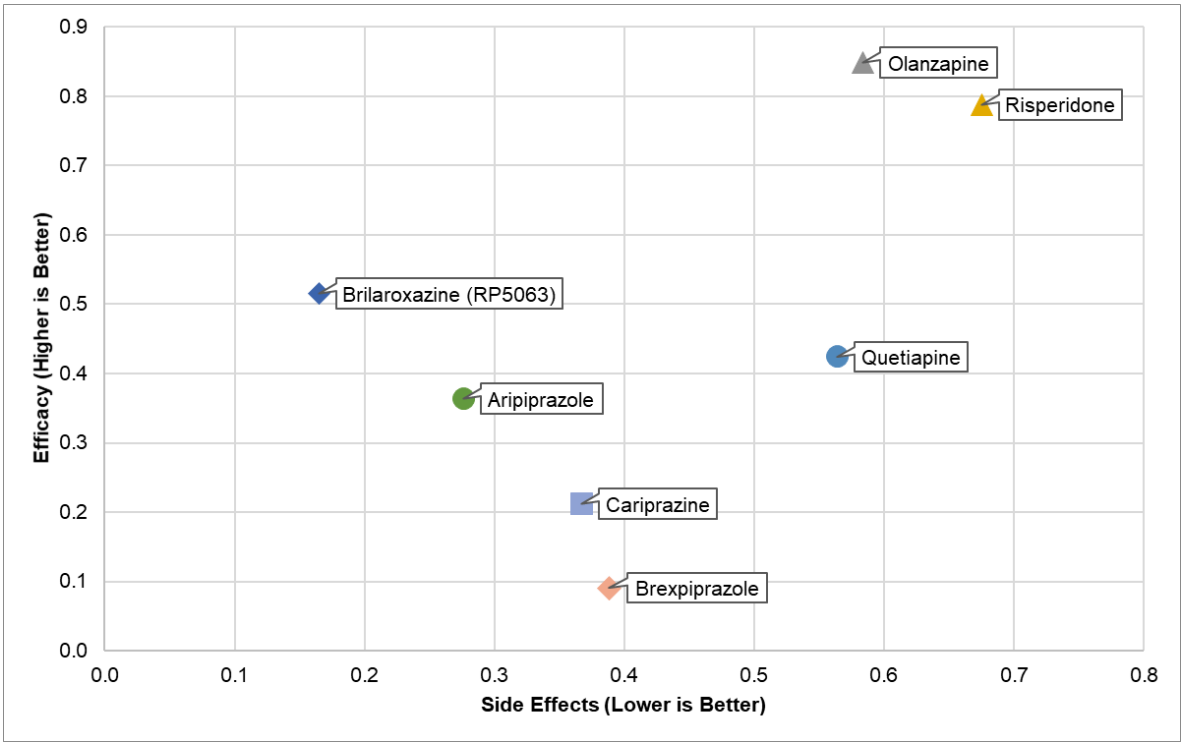
Antipsychotic Comparison Summary

Our previously published analysis compared data provided in the Huhn *et al.* meta-analysis[3] and standardized data presented in Reviva's Phase II trial of brilaroxazine (RP5063) in acute exacerbation of schizophrenia or schizoaffective disorder.[4] The standardized data was compared directly, where possible, to the data in the meta-analysis. Rankings were established for overall reduction in symptoms, our measure of efficacy. Side-effects that were comparable from the Reviva study were standardized, ranked, and averaged to project the side effect data in one dimension. Together, the data could be displayed in two dimensions, evaluating Reviva's candidate against major antipsychotics in terms of efficacy versus side effects.

Patients who are prescribed antipsychotics often must weigh and evaluate the tradeoff of efficacy and side effects. Based on our analysis, brilaroxazine appears to offer above average efficacy with class-leading lack of side effects, in line with the pharmaco-engineering that led to RP5063 as a candidate. If approved, brilaroxazine should offer patients an option with less of a compromise. For detail on methods for our analysis, please refer to our standalone article.

[2] Source: Reviva Pharmaceuticals January 2020 Corporate Presentation.
[3] Huhn, M., Nikolakopoulou, A., Schneider-Thoma, J., Krause, M., Samara, M., Peter, N. & Leucht, S. (2019). Comparative efficacy and tolerability of 32 oral antipsychotics for the acute treatment of adults with multi-episode schizophrenia: a systematic review and network meta-analysis. *The Lancet*, *394*(10202), 939-951.
[4] Schizoaffective disorder is a combination of schizophrenia symptoms and mood disorder symptoms

Exhibit II - RP5063 vs Major Antipsychotics, Efficacy and Side Effects[5]



Key reasons to own Reviva Pharmaceuticals shares:

- **RP5063 Phase III asset may address an unmet need in schizophrenia and other mental disorders vs. existing therapies**
  - **Greater degree of efficacy**
  - **Lower level of side effects**
  - **Improved discontinuation rate**
  - **Addresses negative symptoms**
  - **Improved social functioning**
  - **Opportunity for approval in multiple mental disorders**
  - **Faster onset of action vs. standard of care**
  - **Binding to multiple serotonin and dopamine receptors implicated in schizophrenia**
- **Additional RP5063 Phase II ready programs in multiple indications**
  - **Bipolar Disorder**
  - **Depression**
  - **Attention Deficit Hyperactivity Disorder (ADHD)**
  - **Alzheimer's Psychosis/Behavior**
  - **Parkinson's Psychosis**
  - **Pulmonary Arterial Hypertension (Group 1)**
  - **Idiopathic Pulmonary Fibrosis**
- **RP1208 preclinical programs in development**
  - **Depression**
  - **Obesity**
- **Potential for intellectual property protection until 2037 for RP5063**

[5] Compiled by Zacks Analyst Research

Summary

Reviva files its first Form 10-Q and highlights its recent transition to a public company. With a successful $30 million capital raise, Reviva will soon have the funds required to launch the Phase III study of RP5063 in schizophrenia. In our retroactive analysis of brilaroxazine's safety and efficacy in comparison with 32 other antipsychotics we find preliminary trends favorable to Reviva's candidate showing above average efficacy and lower side effects compared with blockbuster antipsychotics. As many patients discontinue their medication due to side effects, remaining on treatment is key to ensuring a benefit. RP5063 may address an unmet need for patients with schizophrenia and other mental disorders, providing a safer, more tolerable and more effective treatment than what is now available. We adjust our target price to reflect the recent capital raise and move to a valuation of $20.00 per share.

PROJECTED FINANCIALS

Reviva Pharmaceutical Holdings, Inc. - Income Statement[6]

Reviva Pharmaceuticals	2020 A	Q1 A	Q2 E	Q3 E	Q4 E	2021 E	2022 E	2023 E
Total Revenues ($US ,000)	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth								
Research & Development	$295	$391	$1,265	$2,241	$3,820	$7,717	$10,500	$4,150
General & Administrative	$2,140	$1,481	$950	$1,012	$988	$4,431	$4,202	$5,850
Income from operations	($2,435)	($1,872)	($2,215)	($3,253)	($4,808)	($12,148)	($14,702)	($10,000)
Other Income (Expense)	($1,348)	$924	($101)	($101)	($101)	$620	($422)	($441)
Pre-Tax Income	($3,783)	($949)	($2,316)	($3,354)	($4,909)	($11,528)	($15,124)	($10,441)
Provision for Income Tax	$1	$1	$0	$0	$0	$1	$0	
Tax Rate	*0.0%*					*0.0%*	*0.0%*	
Net Income	**($3,783)**	**($949)**	**($2,316)**	**($3,354)**	**($4,909)**	**($11,529)**	**($15,124)**	**($10,441)**
Net Margin	*# DIV/0!*	*# DIV/0!*	*# DIV/0!*	*# DIV/0!*	*# DIV/0!*	*# DIV/0!*	*# DIV/0!*	*# DIV/0!*
Reported EPS	**($1.24)**	**($0.10)**	**($0.24)**	**($0.19)**	**($0.28)**	**($0.85)**	**($0.76)**	**($0.49)**
YOY Growth	*304%*	*-62.0%*	*-21.5%*	*-19.5%*	*68.1%*	*-31%*	*-11%*	*-0.3502497*
Basic Shares Outstanding	3,062	9,232	9,588	17,500	17,800	13,530	20,000	21,250

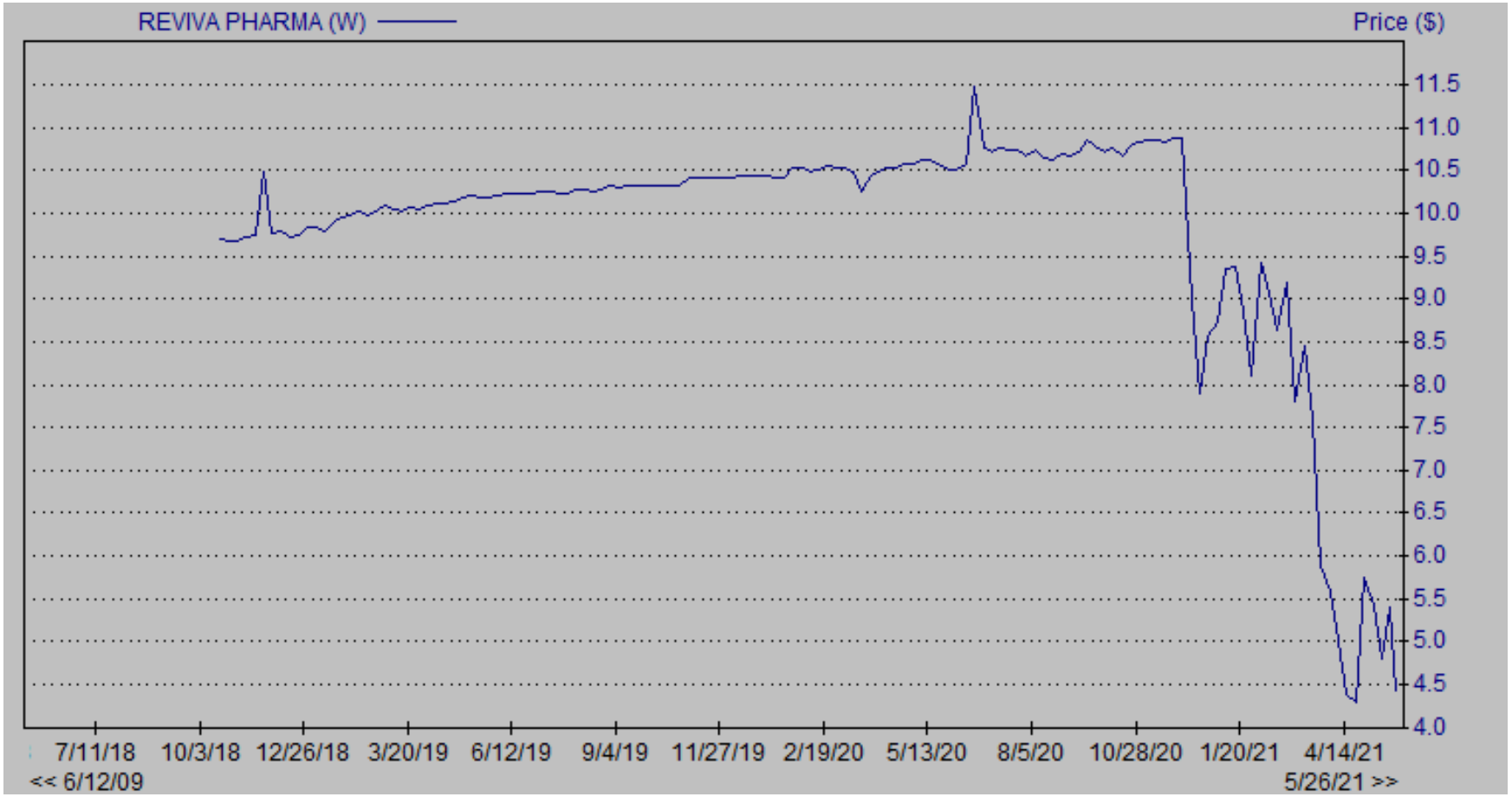
Source: Company Filing // Zacks Investment Research, Inc. Estimates

[6] Financial statement information presents data as originally reported.

© Copyright 2021, Zacks Investment Research. All Rights Reserved.

HISTORICAL STOCK PRICE

Reviva Pharmaceutical Holdings, Inc. – Share Price Chart[7]



[7] Source: Zacks Research System

© Copyright 2021, Zacks Investment Research. All Rights Reserved.

DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, John Vandermosten, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

© Copyright 2021, Zacks Investment Research. All Rights Reserved.