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Zacks Small-Cap Research

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Ensysce Biosciences (ENSC-NASDAQ)

ENSC: ***Clinical test completed and funding obtained.***

ENSC is a clinical stage pharmaceutical company dedicated to bringing a novel opioid to the market that resists the addictive properties that have plagued society.

OUTLOOK

Ensysce Biosciences is committed to finding a solution to the opioid crisis plaguing the US and other developed countries around the world. Through its proprietary TAAP technology Ensysce is in the process of receiving approval for an abuse-resistant yet still pain-relieving opioid.

The company improved its balance sheet and continues move its products along the path to approval.

Current Price (12/07/22)	$1.04
Valuation	**$5.30**

SUMMARY DATA

52-Week High	**$102.40**
52-Week Low	**$1.04**
One-Year Return (%)	**-98.25**
Beta	**0.16**
Average Daily Volume (sh)	**2,336,562**
Shares Outstanding (mil)	
Market Capitalization ($mil)	**$4**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**18**
Insider Ownership (%)	**53**
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 2022 Estimate	**-0.1**
P/E using 2023 Estimate	**-0.1**
Zacks Rank	**N/A**

Risk Level	**High**
Type of Stock	**Small-Blend**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	N/A	N/A	1.2A	0.4E	1.7A
2022	0.6A	0.2A	0.3A	1.5E	2.6E
2023	0.6E	0.7E	0.8E	0.8E	2.9E
2024	0.5E	0.5E	0.6E	0.6E	2.2E

Earnings per share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	N/A	-0.39A	-0.71A	0.45A	-1.48A
2022	-0.06A	-0.24A	-5.13A	-3.51E	-4.76E*
2023	-1.75E	-2.00E	-1.25E	-1.09E	-6.09E
2024	-1.00E	-1.25E	-1.25E	-1.35E	-4.85E

*quarters don't add to yearly total in 2022 due to reverse stock split and share issuance.

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Latest Developments

- Enscysce announced the completion of the clinical portion of study PF614-MPAR-101 Part A, which is designed to allow the company to "define the exact ratio of PF614 and nafamostat in PF614-MPAR that will be necessary to provide optimal pain relief with overdose protection."
    - Management noted the study will be expanded in a Part B study in 2023.

- The company announced a public offering of 2.9 million shares of common stock and warrants to purchase up to an aggregate of 5.8 million shares at an exercise price of $1.40.
    - Gross proceeds from the offering are estimated by management to be $4.1 million.

- Valuation adjustments:
    - As a result of the offering and recent commentary we have made some adjustments to our valuation of ENSC.
        - We adjusted the share count that the valuation is based on to account for the above-mentioned offering.
        - We shifted the first year of revenue generated by the company to occur one year later than previously estimated to 2025 from 2024.
        - We increased the discount rate to 30% from 25% to account for the more uncertain funding environment in the financial markets as well as the longer time horizon until revenue begins to be recognized.
            - The result of these changes is a valuation of ENSC of $5.10.

Summary

The reduction in valuation should not be viewed as a diminishing of our enthusiasm for ENSC and the products it is endeavoring to bring to the market. We continue to view the work that Ensysce is undertaking as vital in the fight against the opioid abuse epidemic in the company and continue to be encouraged by the positive test results that continue to be reported. And while no shareholder ever loves to be diluted by a share offering, the action was needed and justified in order to bolster the company's balance sheet to better enable the company to bring its products to market.

Additionally, while we continue to believe that ENSC represents a good investment for investors with patience and a higher tolerance for volatility, we also believe that each step along the FDA approval road that gets completed adds to the possibility of a purchase by a larger pharmaceutical company that wants to add this important technology to its portfolio. We recognize that certain actions can be frustrating to investors but we urge those folks to look at the bigger picture and believe they'll see a company with very promising products that could be an important part of the fight against a terrible public health crisis that obtained funding that it needed to bolster its balance sheet and allow it to continue to progress.

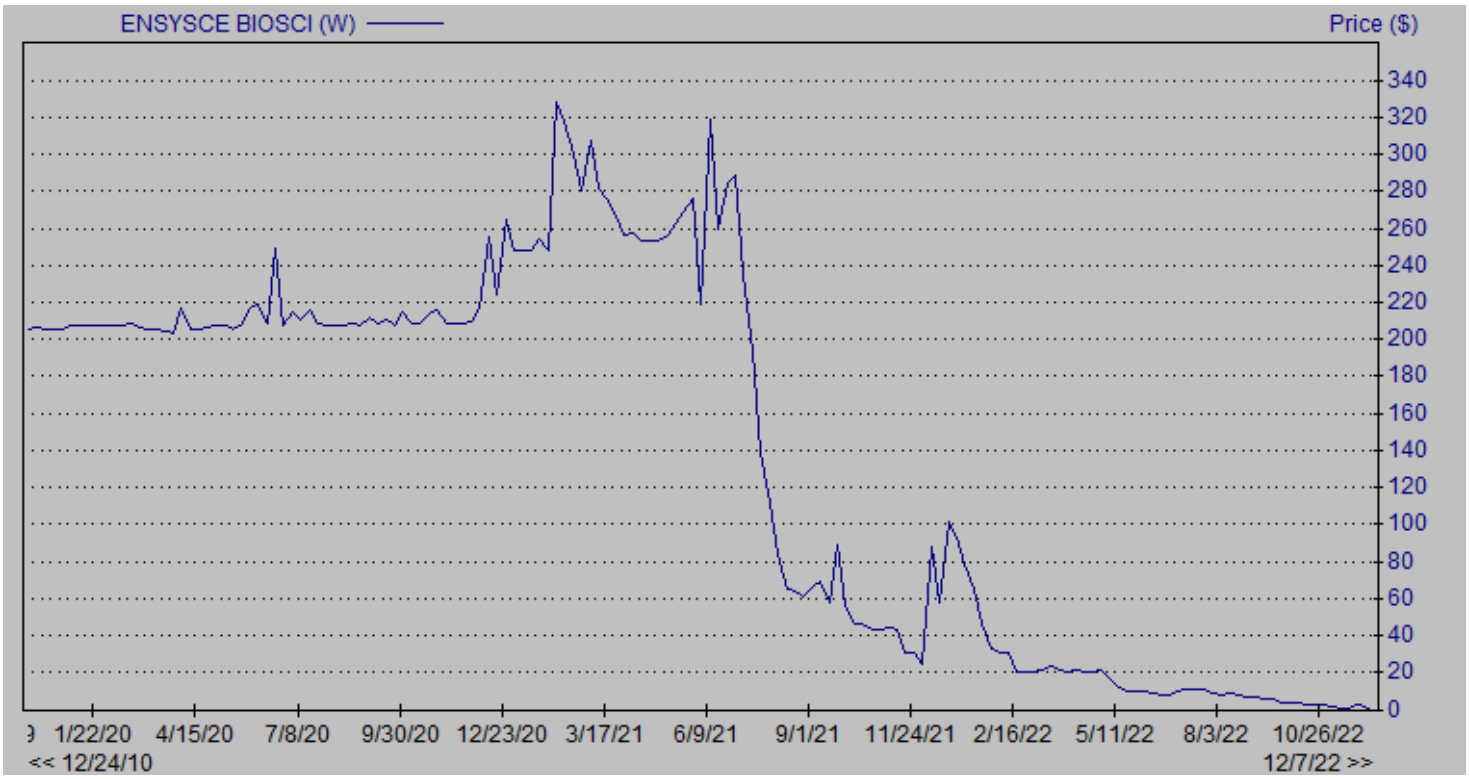
INCOME STATEMENT

Ensysce Biosciences

Income Statement and Balance Sheet

		03/2022A	06/2022A	09/2022A	12/2022E	12/2023E	12/2024E	12/2025E
Income								
	Federal Grants	603,098	207,471	279,351	2,600,000	2,900,000	2,200,000	0
	Sales	0	0	0	0	0	0	80,000,000
Operating Expenses								
	COGS	0	0	0	0	0	0	(12,800,000)
	R&D	(3,140,096)	(5,311,298)	(4,756,096)	(23,400,000)	(30,700,000)	(21,200,000)	(16,100,000)
Other	Sales/Marketing	0	0	0	(4,900,000)	(13,600,000)	(36,200,000)	(54,700,000)
	Admin/general/other	(2,265,806)	(2,819,293)	(5,387,499)	(2,200,000)	(3,100,000)	(6,800,000)	(7,500,000)
	Adjustments to net income	3,136,118	(76,170)	8,679	0	0	0	0
Gain/loss		(1,666,686)	(7,999,290)	(9,855,565)	(23,000,000)	(30,900,000)	(25,800,000)	56,400,000
Loss attributable to noncontrolling interest				21,492				
Deemed div. related to warrants down round provision				(63,539)				
Shares		27,287,618	33,988,783	1,928,727	4,828,727	5,070,163	5,323,672	5,589,855
Per share		($0.06)	($0.24)	($5.13)	($4.76)	($6.09)	($4.85)	$10.09

HISTORICAL STOCK PRICE



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