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Zacks Small-Cap Research

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Salarius Pharma (SLRX-NASDAQ)

SLRX: Cutting Costs and Continuing to Pursue Treatment Goal

SLRX is a clinical-stage biotechnology company developing treatments for patients with cancer that have few options. We value SLRX at $3.25 per share using the comparable value based on companies with similar characteristics.

Current Price (04/01/24)	$0.49
Valuation	**$3.25**

OUTLOOK

Salarius Pharmaceuticals is a clinical-stage biotechnology company focused on developing treatments for patients that have cancers with few treatment options available. The company is uniquely pursuing two lines of treatment that have the potential to treat a wide range of cancers.

The company announced that it is exploring strategic alternatives and continues to implement cost cutting measures as it deals with funding issues but continues to pursue its vital work, while getting positive testing results.

SUMMARY DATA

52-Week High	**$2.16**
52-Week Low	**$0.49**
One-Year Return (%)	**-71.69**
Beta	**1.01**
Average Daily Volume (sh)	**292,650**
Shares Outstanding (mil)	**4**
Market Capitalization ($mil)	**$2**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**12**
Insider Ownership (%)	**6**
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 2023 Estimate	**N/A**
P/E using 2024 Estimate	
Zacks Rank	**N/A**

Risk Level	**High**
Type of Stock	**Small-Value**
Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	0 A	0 A	0 A	0 A	0 A
2023	0 A	0 A	0 A	0 E	0 E
2024	0 E	0 E	0 E	0 E	0 E
2025	0 E	0 E	0 E	0 E	0 E

Earning per share*

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	N/A	N/A	N/A	N/A	-14.88A
2023	-$2.23 A	-$1.43 A	-$0.65 A	-$0.27 A	-$3.84 A
2024	-$6.70 E	-$6.70 E	-$6.70 E	-$6.71 E	-$26.8 E
2025	-$5.85 E	-$5.85 E	-$5.89 E	-$5.89 E	-$23.5 E

*Quarter numbers may not add to total due to share issuance.

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Update

Salarius Pharmaceuticals continues to pursue a “strategic alternative” and continues to cut costs in order to extend its resources. We continue to be disappointed in this announcement as we continue to believe in the science behind the treatments being developed by Salarius but we are pleased to see the company continuing the process of pursuing FDA approval for its important treatment. We also want to note that the company continues to hold solid cash balances that should let it continue to operate on a limited basis for the foreseeable future. The company’s recent annual report reported almost $6 million in cash on its balance sheet. Additionally, the company’s cost-cutting efforts are seen in the annual report, with expenses for various categories being greatly reduced and the CEO moving from a full-time employee to a part-time consultant in order to conserve cash.

Despite the financial challenges the company is facing, progress continues to be made, making us believe that investors should continue to look at SLRX as a cash infusion or acquisition appears quite possible to us. As a reminder, the company’s signature drug, SP-2577, is currently being tested for the treatment of Ewing sarcoma, which currently has no targeted therapies. The company recently announced that a Ewing sarcoma patient that was treated with SP-2577 and saw at least a 30% decrease in the size of the patient’s target lesions, bringing the objective response rate (ORR) in Ewing sarcoma first-relapse patients to 60%, with a 60% disease control rate (DCR). This is another example of the potential of the science behind Salarius and why we believe investors will be interested in the company.

We understand that funding has become more difficult in recent months as credit markets have tightened and that it takes large capital resources to shepherd a treatment through the FDA approval process. We remain of the belief, and hope for potential patients, that Salarius will either find the resources needed or be acquired by an entity that has the resources to continue the work that Salarius has undertaken. We continue to believe, based on the data that we’ve seen to this point, that the treatment being developed by the company could have the opportunity to provide hope to those suffering from conditions with few acceptable treatment options available.

We also believe that this was a difficult decision for management of Salarius to come to, especially after recently announcing the FDA approval of its Phase 1 trial of its treatment known as SP-3164. But if the company was going to be unable to continue in the testing and approval process, we believe it was the correct decision to make. We also want to note that the company has notified shareholders of a special meeting on May 9, 2024, in order to give approval to the board of directors to affect a reverse stock split in the 1:4 to 1:8 range at the board’s discretion.

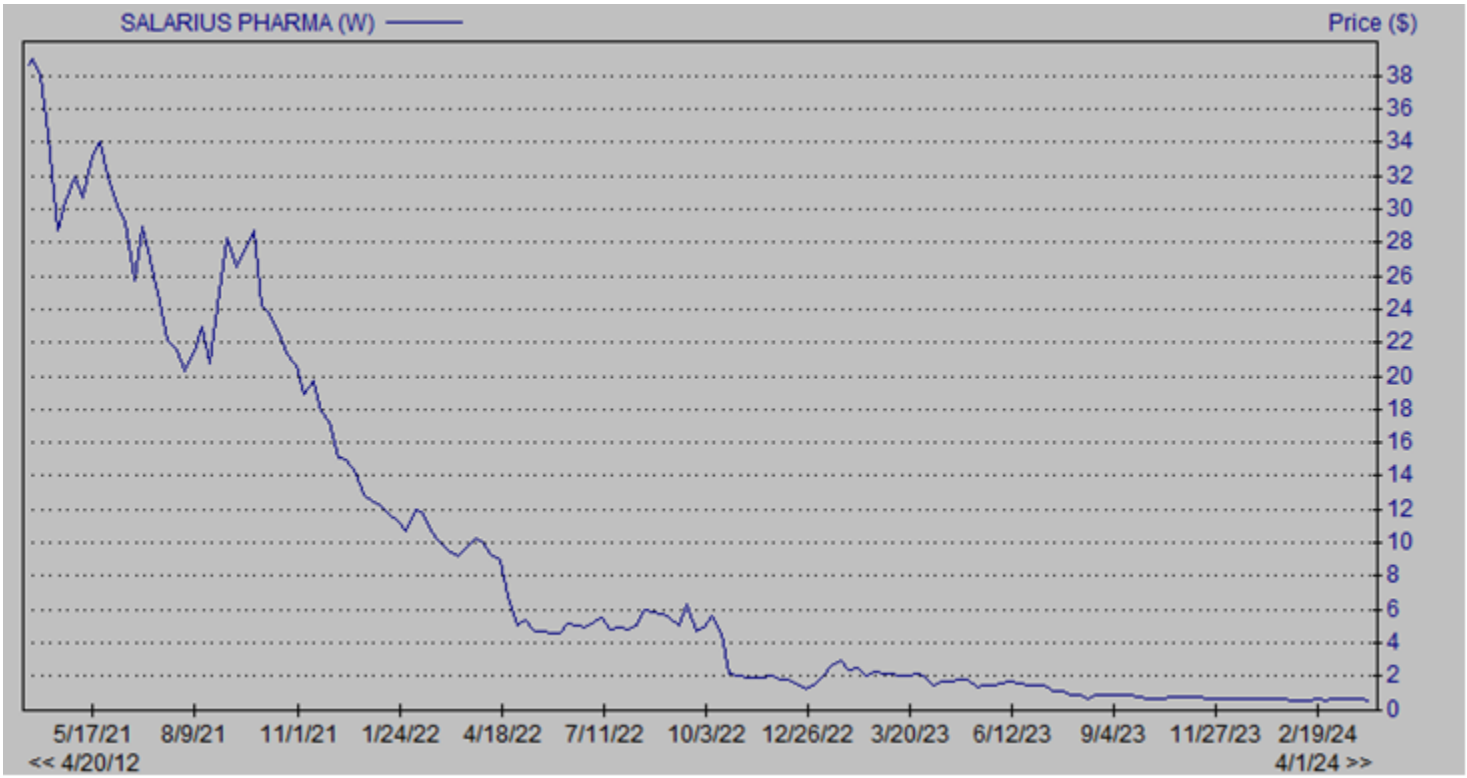
Where does that leave investors? As we’ve written about extensively, we continue to be confident in the treatments being developed and that Salarius makes an attractive investment opportunity for private equity or an acquisition by a larger pharma company looking to bolster their pipeline. We obviously can’t know how this will work out, or if an investment will even be forthcoming, but we believe the attractiveness of the assets still makes Salarius a valuable company to an investor.

We continue to believe that SLRX can provide value to investors at recent prices due to our view that the assets, including intellectual capital, of the company will be of value to a variety of investors, but with credit markets tightening, risks have risen, and only those with a higher risk tolerance should take a look at SLRX.

PROJECTED INCOME STATEMENT & BALANCE SHEET

Salarius Pharmaceuticals Income Statement and Balance Sheet							
	2022A	**1Q2023A**	**2Q2023A**	**3Q2023A**	**4Q2023A**	**2024E**	**2025E**
Grant Revenue	-	-	-	-	-	-	-
Operating Expenses:							
Research and development	15,836,828	3,725,588	2,351,852	1,036,354	59,953	14,253,145	14,965,802
General and administration	7,138,403	1,695,075	1,619,543	1,495,831	910,748	7,852,243	8,244,855
Loss on impairment of goodwill	8,865,909	-	-	-	-	-	-
Total Operating Expenses	31,841,140	(5,420,663)	(3,971,395)	(2,532,185)	(970,701)	(22,105,389)	(23,210,658)
Income/(Loss) from operations	(31,841,140)	(5,420,663)	(3,971,395)	(2,532,185)	(970,701)	(22,105,389)	(23,210,658)
Other Income/(Expenses):							
Interest income/(expense)	218,730	79,890	94,087	89,369	88,905	207,794	197,404
Other	14,454	0	0	0	0	15,000	15,500
Total other inc./(exp.)	233,184	79,890	94,087	89,369	88,905	222,794	212,904
Net Income/(Loss)	(31,607,956)	(5,340,773)	(3,877,308)	(2,442,816)	(881,796)	(21,882,595)	(22,997,754)
Net Income/(Loss) per share	$ (14.88)	$ (2.23)	$ (1.43)	$ (0.65)	$ (0.27)	$ (26.81)	$ (23.48)
Diluted Common Shares Outstanding	2,124,511	2,391,964	2,709,104	3,754,028	3,264,620	816,155	979,386
Current Assets							
Cash	12,106,435	9,273,682	11,541,443	7,580,588	5,899,910	5,781,912	5,666,274
Grants receivable	1,610,490	130,000	130,000	0	0	0	0
Other	803,373	536,625	284,807	743,196	619,763	625,961	632,220
Total Current Assets	14,520,298	9,940,307	11,956,250	8,323,784	6,519,673	6,407,872	6,298,494
Other Assets	130,501	114,852	99,048	80,444	66,850	67,519	68,194
Total Assets	14,650,799	10,055,159	12,055,298	8,404,228	6,586,523	6,475,391	6,366,687
Current Liabilities							
Accounts payable	2,858,330	3,510,905	2,287,243	1,088,640	602,853	614,910	627,208
Other current liabilities	1,407,861	985,393	1,354,253	1,231,885	696,388	717,280	738,798
Total current liabilities	4,266,191	4,496,298	3,641,496	2,320,525	1,299,241	1,332,190	1,366,006
Stockholders' equity/(deficit)							
Common Stock	225	246	335	394	393	335	335
Additional paid in capital	74,189,531	74,704,536	81,436,696	81,549,354	81,634,730	82,451,076	83,275,587
Accumulated deficit	(63,805,148)	(69,145,921)	(73,023,229)	(75,466,045)	(76,347,841)	(77,507,766)	(78,538,716)
Total Stockholders' Equity/(Deficit)	10,384,608	5,558,861	8,413,802	6,083,703	5,287,282	4,943,645	4,737,206
Total Liabilities and Stockholders' Equity	14,650,799	10,055,159	12,055,298	8,404,228	6,586,523	6,275,835	6,103,212

HISTORICAL STOCK PRICE



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