LAIDLAW & COMPANY
Est. 1842
London
New York
San Francisco
Boston

EQUITY RESEARCH
Company Report

January 30, 2017

Repros Therapeutics (RPRX - $1.28)

Healthcare/Biotechnology

Proellex in Uterine Fibroids EOP2 Meeting to Come Before the End of April 2017

Ticker:	**RPRX**
Rating:	**Buy**
Price Target:	**$5.00**

This morning, RPRX announced that the FDA has granted an end of Phase II (EOP2) meeting to discuss requirements for an oral Proellex in uterine fibroids (UF) Phase III study. The meeting intends to cover requirements necessary for demonstrating both safety and efficacy.

- **Details.** Following the positive Phase II study results of Proellex (both oral and vaginal) in UF, RPRX has decided to advance the oral formulation into a Phase III study given the potential ease-of-use and slightly more robust outcome. We believe the EOP2 meeting will likely focus on the Phase III study design, including primary and secondary outcome measures for demonstrating treatment safety and efficacy. As a reminder, the orally-delivered Proellex in UF Phase II study met the primary endpoint of induction of amenorrhea over the placebo with 93% ($p<0.0001$) and patients experienced statistically significant reduction in fibroids volume from baseline vs. placebo (42% vs. 0% with $p=0.0004$) measured by MRI. Fibroid size reduction of the 12mg and 6mg were 58% and 33%, respectively. Additionally, Proellex treated patients vs. placebo showed an improvement of the Uterine Fibroid Symptom Quality of Life (UFSQOL) survey (71% vs. 38% with $p=0.0211$). We anticipate RPRX could commence a Phase III study of Proellex in UF following the EOP2 meeting, possibly later in 2017. We believe the EOP2 meeting might also discuss data from Proellex in endometriosis Phase II trial.
- **Implications.** We view today's news as an important step for advancing Proellex development in UF. Based on the potential feedback from the EOP2 meeting, we anticipate gaining a much clearer picture about the Phase III design, such as the scope of patient size for the trial and for the safety exposure database, plus specifics of the primary and secondary endpoints. Given Proellex is the key driver for RPRX share value, we view the visibility of the Phase III trial design would be important for investors as well as potential prospective partners.
- **Action.** We are reiterating our Buy rating, and target price of $5.00 to reflect the promising Proellex development and potential enclomiphene value in Europe. Our valuation is based on our probability-adjusted sum-of-the-parts analysis.

Trading Data:

Last Price (1/27/2017)	$1.28
52–Week High (4/14/2016)	$3.48
52–Week Low (2/11/2016)	$0.80
Market Cap. (MM)	$30
Shares Out. (MM)	24.298

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY-17E	-0.16	-0.16	-0.20	-0.24	-0.78	NM
FY-16E	-0.20A	-0.18A	-0.17A	-0.16	-0.71	NM
FY-15A	-0.35	-0.32	-0.27	-0.26	-1.20	NM
FY-14A	-0.37	-0.38	-0.32	-0.31	-1.37	NM

Source: Laidlaw & Company estimates

Yale Jen, Ph.D.
Managing Director /
Senior Biotechnology Analyst
(212) 953-4978
yjen@laidlawltd.com

Anticipated milestones in 2017 and beyond

Program	Indication	Event	Timing	Importance
Enclomiphene	Secondary hypogonadism	Report interim (12 month) results of metabolic syndrome improvement Phase II study	**1Q17**	***
		Potential EU approval	**1H18**	****
		Potential ex-U.S. partnership or other business development activities	**2017**	****
		Potential determine future clinical path in the U.S.	**2016/2017**	***
Proellex	Uterine Fibroids	Potentially to conduct a type C meeting with the FDA to discuss Proellex Phase III study	**1H17**	****
		Potentially to start a Phase III study	**2017**	*****
	Endometriosis	Possible EOP2 meeting with the FDA	**4Q16/1H17**	***

***** / ***** Major catalyst event that could impact share price very significantly while *** event is more informative*

Source: Laidlaw & Company estimates and company presentation.

Yale Jen, Ph.D.
yjen@laidlawltd.com

Major risks

Although promising, low dose Proellex and Proellex-V must still demonstrate proof-of-concept results. Although the current clinical data regarding efficacy and safety from the low-dose oral Proellex and newly-developed Proellex-V study are encouraging, it is still too early to fully project the product's future in endometriosis and in uterine fibroids. In addition, it is still uncertain as which format of Proellex would be used for UF development going forward. Further, low dose oral Proellex in endometriosis Phase II study is still ongoing and we believe a positive efficacy and satisfactory safety profile are needed from the study to potentially to fully lift the clinical hold by the FDA to advance the program. Any negative outcomes could also be a setback for the RPRX valuation as we view the Proellex program as RPRX's main value driver.

Clinical risks of trial study failure could have a significantly negative impact on RPRX share value. Given that the current study of enclomiphene in obese secondary hypogonadism is a novel approach to potentially demonstrate the drug's effects in a metabolic disease and that there are very limited precedence for these type of studies, we believe this is a high risk trial and the majority of RPRX share value (assessed by both us and the Street) resides in the potential clinical and regulatory success of this program. Another challenge is if under a scenario that the FDA might request significantly more difficult Phase III studies at the future meeting and should the company be unable to accomplish such a task; RPRX share value could also significantly reduce.

Potential financing could dilute shareholders. Although we estimate that the company's cash position could support operations, including R&D and M&S expenses, into 2016; the possibility exists that additional cash could be needed for other unexpected corporate development activities. If not from the non-dilutive sources, options could include a potentially-dilutive equity offering, of which could potentially affect current shareholders negatively due to dilution. However, we view such risk could be offset by the substantial value increase of the company's assets due to clinical advancement leading to commercialization.

Yale Jen, Ph.D.
yjen@laidlawltd.com

Figure 1: Income Statement

Repros Therapeutics – Income Statement

($ MM)	2013	2014	2015	1Q16	2Q16	3Q16	4Q16E	2016E	2017E	2018E	2019E
Revenue											
Licensing fees	-	-	-	-	-	-	-	-	-	-	-
Product revenue	-	-	-	-	-	-	-	-	-	-	-
Research and development grants	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	0.0	0.0	-	0.0	-	-	-
Total Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Research and development	22.9	26.7	24.1	3.8	3.2	3.2	3.0	13.2	16.9	18.4	20.3
General and administrative	4.8	5.4	5.1	1.1	1.1	1.0	1.0	4.2	4.1	4.2	4.2
Sales and marketing		0.0	0.0	-	-	-	-	0.0	-	-	-
Interest expense and amortization of intangibles	-	-	0.0	-	-	-	-	-	-	-	-
Total Operating Expenses	$27.7	$32.1	$29.2	$4.9	$4.3	$4.2	$4.0	$17.4	$21.1	$22.6	$24.5
Operating Income (loss)	($27.7)	($32.1)	($29.2)	($4.8)	($4.3)	($4.2)	($4.0)	($17.3)	($21.1)	($22.6)	($24.5)
Loss from continuing operations	-	-	-	-	-	-	-	-	-	-	-
Gain on disposal of discontinued operation	-	-	-	-	-	-	-	-	-	-	-
Net loss before cumulative effect of change in accounting principle	(27.7)	(32.1)	(29.2)	(4.8)	(4.3)	(4.2)	(4.0)	(17.3)	(21.1)	(22.6)	(24.5)
Cumulative effect of change in accounting principle	-	-	-	-	-	-	-	-	-	-	-
Income (loss) before tax expense	(27.7)	(32.1)	(29.2)	(4.8)	(4.3)	(4.2)	(4.0)	(17.3)	(21.1)	(22.6)	(24.5)
Income tax expense	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0
Net Incomes (Losses)	($27.7)	($32.1)	($29.2)	($4.8)	($4.3)	($4.2)	($4.0)	($17.3)	($21.1)	($22.6)	($24.5)
Net Earnings (Losses) Per Share—Basic	($1.33)	($1.37)	($1.20)	($0.20)	($0.18)	($0.17)	($0.16)	($0.71)	($0.78)	($0.73)	($0.78)
Net Earnings (Losses) Per Share—Diluted	($1.33)	($1.37)	($1.20)	($0.20)	($0.18)	($0.17)	($0.16)	($0.71)	($0.78)	($0.73)	($0.78)
Shares outstanding—basic	20.8	23.4	24.3	24.3	24.3	24.5	24.5	24.4	27.1	31.1	31.5
Shares outstanding—diluted	20.8	23.4	24.3	24.3	24.3	24.5	24.5	24.4	27.1	31.1	31.5
Margin Analysis (% of Revenue)											
COGS		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
R&D	254578%	888433%	N.A.	22147%	324300%	31820%	302290%	45562%	N.A.	N.A.	N.A.
SG&A	53533%	181233%	N.A.	6447%	105200%	9970%	100697%	14317%	N.A.	N.A.	N.A.
Operating Income (loss)	-308011%	-1069567%	N.A.	-28494%	-429400%	-41690%	-402887%	-59779%	N.A.	N.A.	N.A.
Net Income	-308011%	-1069567%	N.A.	-28494%	-429400%	-41690%	-402887%	-59779%	N.A.	N.A.	N.A.
Financial Indicator Growth Analysis (Y/Y)											
Licensing fees	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Product royalties	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Revenue	200%	-67%	-100%	1600%	0%	400%	-88%	N.A.	-100%	N.A.	N.A.
Research and development	72%	16%	-10%	-49%	-50%	-42%	-38%	-45%	28%	9%	10%
General and administrative	0%	13%	-6%	-9%	-22%	-9%	-30%	-18%	-1%	1%	1%
Sales and marketing		N.A.	N.A.					N.A.	N.A.	N.A.	N.A.
Operating incomes	53%	16%	-9%	-43%	-45%	-37%	-36%	-41%	21%	7%	8%
Total Other Income, net	53%	16%	-9%	-43%	-45%	-37%	-36%	-41%	21%	7%	8%
Pretax Income	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Net Income	53%	16%	-9%	-43%	-45%	-37%	-36%	-41%	21%	7%	8%
EPS - Basic	13%	3%	-12%	-43%	-45%	-37%	-36%	-41%	9%	-6%	7%
EPS - Diluted	13%	3%	-12%	-43%	-45%	-37%	-36%	-41%	9%	-6%	7%
Shares outstanding—basic	36%	13%	4%	0%	0%	1%	1%	0%	11%	15%	1%
Shares outstanding—diluted	36%	13%	4%	0%	0%	1%	1%	0%	11%	15%	1%

Yale Jen, Ph.D. 212-953-4978

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates.

Yale Jen, Ph.D.
yjen@laidlawltd.com

DISCLOSURES:

ANALYST CERTIFICATION

The analyst responsible for the content of this report hereby certifies that the views expressed regarding the company or companies and their securities accurately represent his personal views and that no direct or indirect compensation is to be received by the analyst for any specific recommendation or views contained in this report. Neither the author of this report nor any member of his immediate family or household maintains a position in the securities mentioned in this report.

EQUITY DISCLOSURES

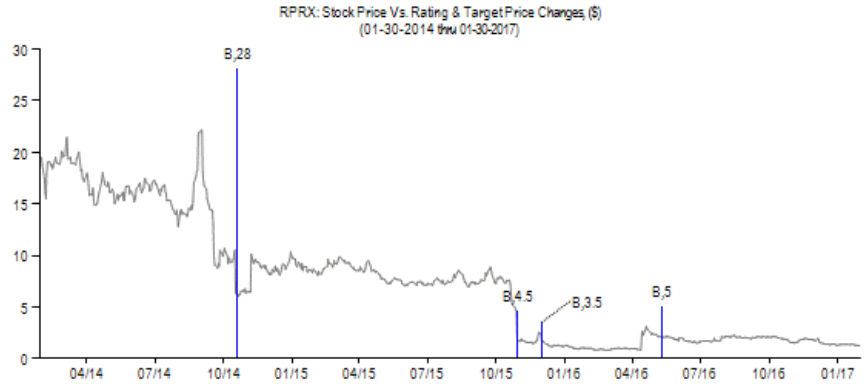
For the purpose of ratings distributions, regulatory rules require the firm to assign ratings to one of three rating categories (i.e. Strong Buy/Buy-Overweight, Hold, or Underweight/Sell) regardless of a firm's own rating categories. Although the firm's ratings of Buy/Overweight, Hold, or Underweight/Sell most closely correspond to Buy, Hold and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis against the analyst sector universe of stocks. An analyst's coverage sector is comprised of companies that are engaged in similar business or share similar operating characteristics as the subject company. The analysis sector universe is a sub-sector to the analyst's coverage sector, and is compiled to assist the analyst in determining relative valuations of subject companies. The composition of an analyst's sector universe is subject to change over time as various factors, including changing market conditions occur. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12-months relative to the analyst's sector universe.

Additional information available upon request.

Laidlaw & Co (UK) Ltd. has not provided any investment banking services for the company (ies) mentioned in this report over the last 12 months.

RATINGS INFORMATION

Rating and Price Target Change History



3 Year Rating Change History

Date	Rating	Closing Price ($)
10/20/2014	Buy (B)	6.23

3 Year Price Change History

Date	Target Price ($)	Closing Price, ($)
10/20/2014	28.00	6.23
10/30/2015	4.50	1.71
12/01/2015	3.50	1.74
05/10/2016	5.00	2.16

Source: Laidlaw & Company **Created by: Blue-Compass.net**

Laidlaw & Company Rating System*		% of Companies Under Coverage With This Rating	% of Companies for which Laidlaw & Company has performed services for in the last 12 months	
			Investment Banking	Brokerage
Strong Buy (SB)	Expected to significantly outperform the sector over 12 months.	2.44%	2.44%	0.00%
Buy (B)	Expected to outperform the sector average over 12 months.	60.98%	26.83%	2.44%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	2.44%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	4.88%	0.00%	0.00%

ADDITIONAL COMPANIES MENTIONED

Allergan, Inc. (AGN – Not Rated)

ADDITIONAL DISCLOSURES

As of the date of this report, neither the author of this report nor any member of his immediate family or household maintains an ownership position in the securities of the company (ies) mentioned in this report.

This report does not provide individually tailored investment advice and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Laidlaw & Co (UK), Ltd. recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. This report is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy.

Yale Jen, Ph.D.
yjen@laidlawltd.com

Associated persons of Laidlaw & Co (UK), Ltd not involved in the preparation of this report may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned herein and may trade them in ways different from those discussed in this report. While Laidlaw & Co (UK), Ltd., prohibits analysts from receiving any compensation. Bonus or incentive based on specific recommendations for, or view of, a particular company, investors should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

With the exception of information regarding Laidlaw & Co (UK), Ltd. this report is based on public information. Laidlaw & Co (UK), Ltd makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete and it should not be relied upon as such. Any opinions expressed are subject to change and Laidlaw & Co (UK), Ltd disclaims any obligation to advise you of changes in opinions or information or any discontinuation of coverage of a subject company. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other Laidlaw & Co (UK), Ltd business areas. Laidlaw & Co (UK), Ltd associated persons conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices. market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Any trademarks and service marks contained in this report are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. This report or any portion thereof may not be reprinted, sold or redistributed without the written consent of Laidlaw & Co (UK), Ltd. This report is disseminated and available primarily electronically, and, in some cases, in printed form.

The information and opinions in this report were prepared by Laidlaw & Co (UK), Ltd. For important disclosures, please see Laidlaw & Co (UK), Ltd.'s disclosure website at www.Laidlawltd.com, or contact your investment representative or Laidlaw & Co (UK), Ltd at 546 Fifth Ave, 5th Floor, New York, NY 10036 USA.

Yale Jen, Ph.D.
yjen@laidlawltd.com

NOTES:

Yale Jen, Ph.D.
yjen@laidlawltd.com