

Therapix Biosciences (TRPX - \$5.30)

All Eyes on THX-TS01's Phase 2a Data Readout in 4Q17.

TRPX recently reported their 2Q17 with bottom line mostly in-line with expectations as EPS came in at (\$0.54) vs our estimated (\$0.61). While SG&A was greater than R&D for the quarter due mostly to investor relations expenses, we anticipate R&D to be significantly greater than SG&A in the future. While still far from being an earnings story, in our opinion, TRPX has many near-term noteworthy value inflection points such as: readout of their Phase 2a THX-TS01 for Tourette's Syndrome (TS) in 4Q17; initiation of their Phase 2b THX-TS01 study in 4Q17 (read-out 2H18); and initiation of their short PK study of THX-ULD01 for traumatic brain injury (TBI) in 4Q17 (readout in 1Q18). We were especially encouraged to learn that enrollment is on track for the Phase 2a study (completion of enrolment expected late September/early October) and 8 of 10 patients enrolled thus far have opted to extend their treatment an additional 3 months based on positive assessment of efficaciousness. Additionally, we recently had the chance to spend time with management and continue to view the company as undervalued at these levels. Although many investors were interested in Zynerva's (ZYNE) recent failed Phase 2 STAR1 trial for their synthetic transdermal cannabidiol (CBD) for treatment of epilepsy, TRPX doesn't see much read-through as the delivery method and disease targeted differ from THX-TS01. We continue to believe the "entourage effect" (THC+PEA) could potentially enable greater duration and stability (no refrigeration), which are current issues with marinol. During our roadshow, we also found it particularly interesting that ~40% of the current TS market uses "street" cannabis for their symptoms. With many other potential indications for THX-TS01 such as acute tic disorder, ADHD, OCD and sleep apnea, we believe TRPX's current market capitalization doesn't reflect its value and reiterate our Buy rating and \$18 price target.

- **4Q17 THX-TS01 Phase 2a data readout for TS, front and center.** We see the THX-TS01 Phase 2a data expected to read-out in 4Q17 as the most important near-term value inflection point and are encouraged by the number of patients opting to continue treatment for an additional 3 months.
- **Current Pipeline, just the tip of the iceberg.** While TS is a relatively small patient population, it is hard to overstate the markets of acute tic disorder, ADHD, OCD as well as mild cognitive impairment (targeted by THX-ULD01).
- **Reiterate our Buy rating and our \$18 PT.** Our price target is based on a THX-TS01 US sales and EU royalties at \$11.50/share, THX-ULD01 US sales and EU royalties at \$1.75/share and Cash (end' 18) & tech value at \$4.75/share.

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY19E	(0.68)	(0.65)	(0.62)	(0.59)	(2.52)	NA
FY18E	(0.64)	(0.63)	(0.60)	(0.58)	(2.45)	NA
FY17E	(0.20)	(0.54)A	(0.71)	(0.55)	(2.06)	NA
FY16A	NA	NA	NA	NA	(2.14)	NA

Source: Laidlaw & Company estimates

Healthcare / Biotechnology

Ticker:	TRPX
Rating:	Buy
Price Target:	\$18

Trading Data:

Last Price (09/09/2017)	\$5.30
52-Week High (07/05/2017)	\$13.19
52-Week Low (08/10/2017)	\$5.21
Market Cap. (MM)	\$18.2
Shares Out. (MM)	41.0

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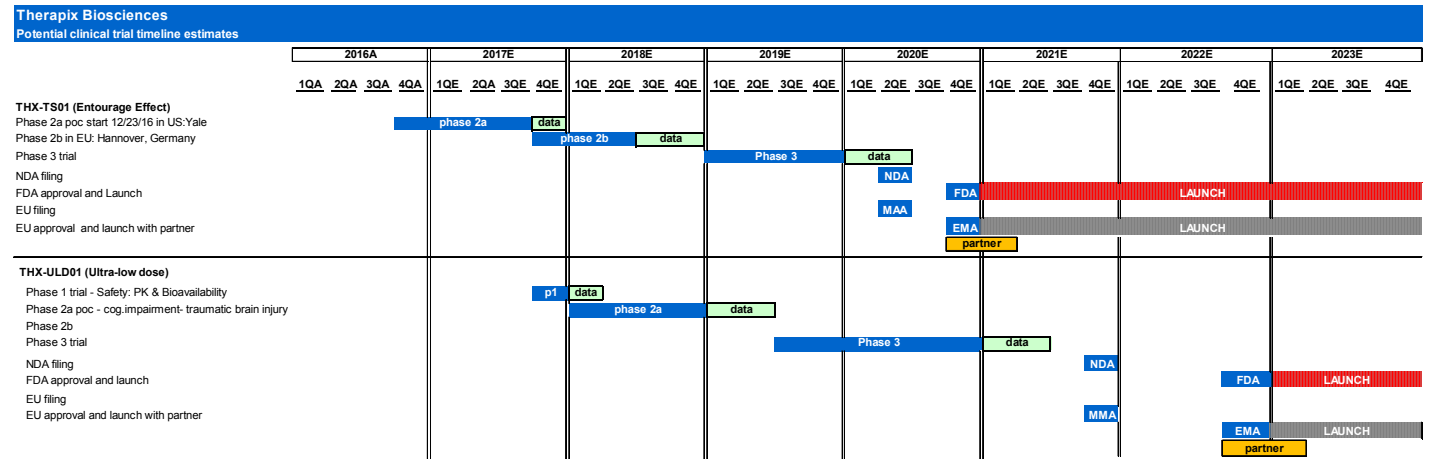
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Figure 1: Valuation

Sum-of-the-parts valuation		
Segment	Valuation (000's)	Per share value
THX-TS01 US sales	\$55,553	\$10.00
THX-TS01 EU sales	\$9,303	\$1.50
THX-ULD01 US sales	\$8,785	\$1.50
THX-ULD01 EU royalties	\$1,183	\$0.25
Cash (end of '18E)	\$27,253	\$4.75
	\$102,077	\$18.00
2018 fully diluted shares out (000)		5,833

Source: Company Reports; Laidlaw & Company estimates

Figure 2: Clinical Trial Timeline Estimates



Source: Laidlaw & Company estimates

Figure 3: Quarterly Income Statement

Therapix Biosciences Quarterly income statement										
(\$000's except per share)	2016A				2016A Year	2017E				2017E Year
	1QA	2QA	3QA	4QA		1QE	2QA	3QE	4QE	
Total Revenues					\$0					
COGS					0					
Gross margin					0					
SG&A	336	299	362	270	1,267	350	971	750	750	2,821
R&D	150	227	231	132	739	250	455	1,750	1,750	4,205
Other exp (inc), net	0	26	(33)	0	(7)	10		10	10	30
Operating income/(loss)	(486)	(551)	(560)	(402)	(1,999)	(610)	(1,426)	(2,510)	(2,510)	(7,056)
Finance income		9	(8)	0	1	1		1	1	3
Finance expense	(14)		(3)	10	(7)	(1)	(438)	(1)	(1)	(441)
Company's share of losses of an ass	0	0		0						
(Loss) income before income tax	(499)	(542)	(571)	(392)	(2,005)	(610)	(1,864)	(2,510)	(2,510)	(7,494)
Adj. NI	(496)	(532)	(599)	(364)	(1,991)	(610)	(1,864)	(2,510)	(2,510)	(7,494)
exchange differences on foreign ops										
non-controlling int.	4	10	(28)	28	14					
NI as reported	(499)	(542)	(571)	(392)	(2,005)	(1,864)				
Adj-EPS ex-non-cash					(\$2.13)	(\$0.20)	(\$0.54)	(\$0.71)	(\$0.55)	(\$2.06)
EPS as reported					(\$2.14)					
Shares out (000)					936	3,000	3,452	3,552	4,552	3,639
Fully diluted shares (000)					1,400	3,400	3,852	3,952	4,952	4,039

Source: Company Reports: Laidlaw & Company estimates

Figure 4: Annual Income Statement

Therapix Biosciences							
Annual income statement							
(\$000's except per share)	2016A	2017E	2018E	2019E	2020E	2021E	Comments
Revenues							
US THX-TS01						\$55,178	THX-TS01 launch 2021
EU THX-TS01 royalty						\$2,205	THX-ULD01 launch 2023
US THX-ULD01						\$0	
EU THX-ULD01 royalty						\$0	
Total Revenues						\$57,383	
COGS						8,607	
Gross margin						48,776	
SG&A	1,267	2,821	3,500	7,500	9,500	16,500	
R&D	739	4,205	9,500	11,000	14,500	16,500	
Other expense (inc) net	(7)	30	40	40	40	40	
Operating income/(loss)	(1,999)	(7,056)	(13,040)	(18,540)	15,736	15,736	
Finance Income	1	3	4	4	4	4	
Finance Expense	(7)	(441)	(4)	(4)	(4)	(4)	
Company's shares of losses							
(Loss) income before tax	(2,005)	(7,494)	(13,040)	(18,540)	(24,040)	15,736	
Adj-Net income/(loss)	(1,991)	(7,494)	(13,040)	(18,540)	(24,040)	15,736	
Equity holders of the company	0						
NC interests	14						
NI/(loss) as reported	(2,005)						
Adj-EPS ex-non-cash	(\$2.13)	(\$2.06)	(\$2.45)	(\$2.52)	(\$2.36)	\$1.07	
EPS as reported	(\$2.14)						
Shares out (000)	936	3,639	5,333	7,364	10,202	13,852	
Fully diluted shares (000)	1,400	4,039	5,833	7,964	10,902	14,652	

Source: Company Reports: Laidlaw & Company estimates

Major Risks

Exogenous events could impact our outlook. We believe pharmaceutical companies have the least control over competitive, political, and regulatory risks. Although we have incorporated competitive assumptions into our forecasts, there may be other risks beyond the scope of our analysis. Changes in the drug reimbursement system, as well as any political or regulatory amendments, may significantly influence the earnings power of these companies.

Actual clinical results and the FDA's conclusions may deviate from expectations. Many of our assumptions are based on a review of incomplete clinical trial data available in the public domain. Often, our conclusions are drawn from early stage data, which may not be reflected by pivotal studies. Furthermore, the FDA's conclusions may not coincide with our own, materially changing our revenue and earnings assumptions.

Compliance issues, product recalls, and other mandates by regulatory authorities could materially change our expectations. Regulatory compliance issues, ranging from accounting irregularities to defective manufacturing practices, could materially change our assumptions and earnings outlook. Unanticipated product recalls and labeling changes could also have adverse consequences on our earnings assumptions.

Legal risks could lead to additional liabilities and revenue loss. In addition to the expenses incurred by patent challenges, product liability and other legal suits could occur and lead to additional liabilities and revenue loss, which could substantially change our financial assumptions.

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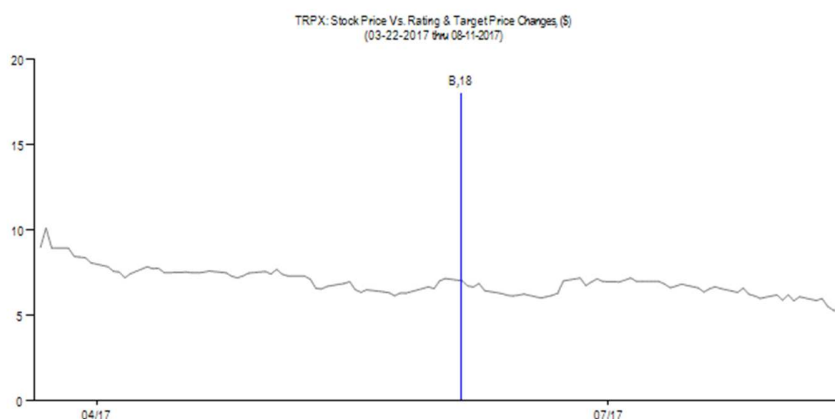
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Rating and Price Target Change History



3 Year Rating Change History

Date	Rating	Closing Price (\$)
06/05/2...	Buy (B)	7.03

3 Year Price Change History

Date	Target Price (\$)	Closing Price, (\$)
06/05/2...	18.00	7.03

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.	0.00%	0.00%	0.00%
Buy (B)	Expected to outperform the sector average over 12 months.	63.04%	30.43%	2.17%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	4.35%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

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Zynerba Pharmaceuticals, Inc. (ZYNE – Not Rated)

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