



Undervalued Growth Pharma Companies Amidst Healthcare Sector Decline

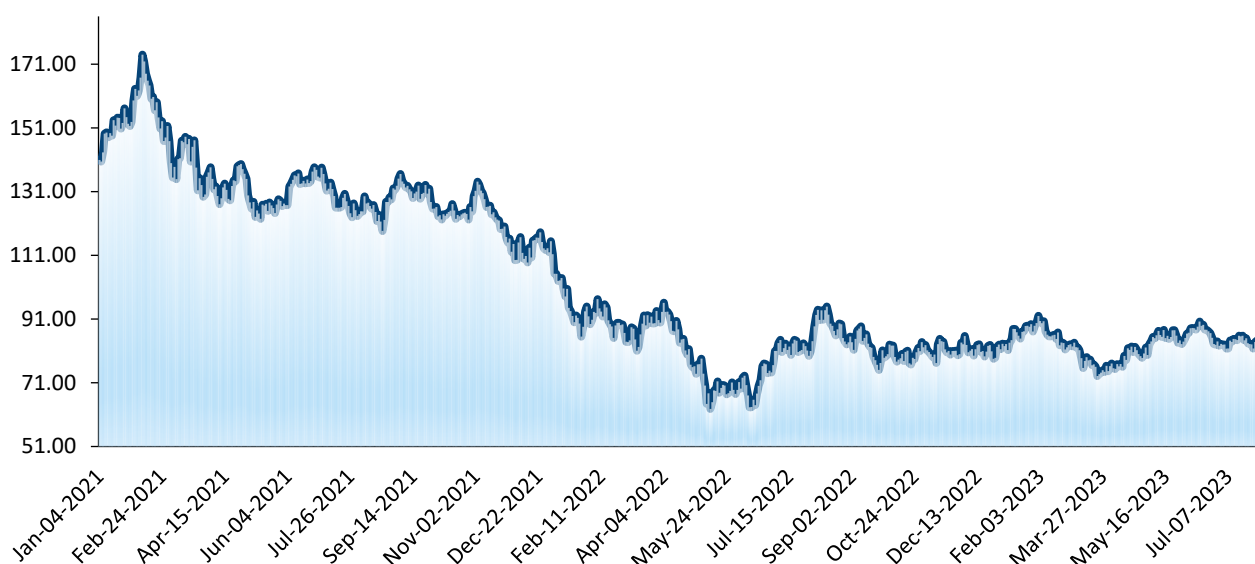
Stonegate Strategy Report – August 2023

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Long and Steep Decline in the Healthcare Sectors

The pharma/biotech sectors have experienced a notable downturn as indicated by several market metrics. The XBI index, an overall measure of the industry's growth, has been on a downward trend since 2021, declining by approximately 50% from highs seen in the last 2 years. The number of biotech IPOs has decreased from 51 in 2020 to 45 in 2021 and further to 26 in 2022 (Biopharma Dive, 2022). Furthermore, there have been over 3,000 job cuts within the biotech sector in 2022 (Fierce Biotech, 2022). These developments suggest a challenging financial landscape for the healthcare industry.

XBI Index Share Price, January 2021 to August 2023



Source: Capital IQ (Data from Jan 2021 – Aug 2023)

Small Cap Growth Healthcare Companies Based on Forward Looking Revenue Growth and Valuation

We believe revenue generating companies with strong growth are well placed to thrive in this downturn. To identify companies with strong growth potential we looked at 11,531 pharmaceutical product companies (excluding contract organizations, CxOs) of which 3,544 were based in the US or Canada. To find companies that had a critical mass of revenues with room to grow, we selected 178 companies that had LTM revenues between \$50m and \$1b. We screened out companies that were not expected to have revenue growth over the next year leaving us with 22 small pharma companies (Table 1). Lastly, we sorted the list based on EV/forward total revenues ratio (EV to Sales Ratio) yielding the top 10 small pharma companies that are undervalued and expected to grow over the next year (Table 2). These lists represent the top 0.1 percentile of small pharmaceutical growth companies. In the sections below, we provide insights into the business profiles of these ten noteworthy companies.

22 Companies with Growing Revenues

Companies listed below represent the top 22 small pharmaceutical product companies with growing revenues based on the selection criteria discussed in the previous section. Companies are listed in order of descending NMT revenue growth percentage.

Table 1: 22 Companies with Growing Revenues

Company	NTM Revenue Growth (%)	EV to Sales Ratio	Market Cap (\$USDmm)	Specialty
Amylyx Pharmaceuticals, Inc. (NasdaqGS:AMLX)	1646.40	2.60	1531.60	CNS
Axsome Therapeutics, Inc. (NasdaqGM:AXSM)	388.70	14.10	3192.20	CNS
Revance Therapeutics, Inc. (NasdaqGM:RVNC)	84.90	7.27	1856.50	Aesthetic

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Intra-Cellular Therapies, Inc. (NasdaqGS:ITCI)	80.40	10.80	5839	CNS/Oncology
Harrow Health, Inc. (NasdaqGM:HROW)	58.90	5.29	707.60	Ophthalmology
SIGA Technologies, Inc. (NasdaqGM:SIGA)	58.10	1.62	399.10	Infectious
Alimera Sciences, Inc. (NasdaqGM:ALIM)	52.10	2.14	27.30	Ophthalmology
Esperion Therapeutics, Inc. (NasdaqGM:ESPR)	50.60	4.26	191.50	Cardiovascular
Xeris Biopharma Holdings, Inc. (NasdaqGS:XERS)	35.50	2.85	354.30	Various
Harmony Biosciences Holdings, Inc. (NasdaqGM:HRMY)	29.20	2.84	1953.60	CNS/Rare
Evolus, Inc. (NasdaqGM:EOLS)	28.10	2.99	560.60	Aesthetic Health
Collegium Pharmaceutical, Inc. (NasdaqGS:COLL)	23	2.24	761.10	Pain
biote Corp. (NasdaqGM:BTMD)	18.60	0.59	124.60	Aging/Endocrine
Corcept Therapeutics Incorporated (NasdaqCM:CORT)	14.80	4.60	2564.70	Various
Ocular Therapeutix, Inc. (NasdaqGM:OCUL)	14.70	5.05	333.40	Ophthalmology
Medexus Pharmaceuticals Inc. (TSX:MDP)	9.89	0.80	36.30	Various
Assertio Holdings, Inc. (NasdaqCM:ASRT)	8.89	1.51	305.70	Various
HLS Therapeutics Inc. (TSX:HLS)	7.29	3.05	145.30	Various
Knight Therapeutics Inc. (TSX:GUD)	7.07	1.32	385.80	Various
Aytu BioPharma, Inc. (NasdaqCM:AYTU)	4.07	0.13	9.39	Various
Pacira BioSciences, Inc. (NasdaqGS:PCRX)	3.33	2.81	1688.30	Pain
Arvinas, Inc. (NasdaqGS:ARVN)	0.32	1.39	1300.20	Various

Disclosure: Estimates sourced from CapIQ on 080323

Note: Alimera's EV to Sales ratio was calculated using an updated EV of \$220 million (due to the recent acquisition of Yutiq) which was not reflected in the original data sourced from CapIQ.

10 Undervalued Companies with Low EV to Sales Ratios

Companies listed below represent the top 10 small pharmaceutical product companies with growing revenues and the lowest EV to sales ratio amongst the companies analyzed. Companies are listed in order of increasing EV to sales ratios.

Table 2: 10 Undervalued Companies with Growing Revenues

Company	NTM Revenue Growth (%)	EV to Sales Ratio	Market Cap (\$USDmm)	Specialty
Aytu BioPharma, Inc. (NasdaqCM:AYTU)	4.07	0.13x	9.39	Various
biote Corp. (NasdaqGM:BTMD)	18.60	0.59x	124.60	Hormone/Aging
Medexus Pharmaceuticals Inc. (TSX:MDP)	9.89	0.80x	36.30	Various
Knight Therapeutics Inc. (TSX:GUD)	7.07	1.32x	385.80	Various
Arvinas, Inc. (NasdaqGS:ARVN)	0.32	1.39x	1300.20	Various
Assertio Holdings, Inc. (NasdaqCM:ASRT)	8.89	1.51x	305.70	Various
SIGA Technologies, Inc. (NasdaqGM:SIGA)	58.10	1.62x	399.10	Infectious

Stonegate Strategy Report

Alimera Sciences, Inc. (NasdaqGM:ALIM)	52.10	2.14x	27.30	Ophthalmology
Collegium Pharmaceutical, Inc. (NasdaqGS:COLL)	23	2.24x	761.10	Pain
Amylyx Pharmaceuticals, Inc. (NasdaqGS:AMLX)	1646.40	2.60x	1531.60	CNS

Disclosure: Estimates sourced from CapIQ on 080323

Note: Alimera's EV to Sales ratio was calculated using an updated EV of \$220 million (due to the recent acquisition of Yutiq) which was not reflected in the original data sourced from CapIQ.

Aytu BioPharma, Inc.

Aytu BioPharma is a pharmaceutical company primarily focused on commercialization of novel therapeutics. Their prescription product range includes Adzenys and Cotempla, both extended-release oral medications prescribed for ADHD, as well as Karbinal, an extended-release antihistamine suspension used for allergic conditions. They also offer Poly-Vi-Flor and Tri-Vi-Flor, fluoride-based prescription vitamin products designed to address fluoride deficiency in infants and children. Apart from pharmaceuticals, Aytu operates in the consumer health segment, providing over-the-counter medicines, personal care products, and dietary supplements for various common conditions like diabetes, allergies, hair regrowth, and gastrointestinal issues. The company has recently signed an exclusive collaboration agreement with Medomie Pharma Ltd. to commercialize its ADHD medications in Israel and the Palestinian Authority. Aytu BioPharma aims to achieve positive adjusted EBITDA and consistent profitability through strategic partnerships and organic product growth. Aytu BioPharma is projected to experience revenue growth of 4.07% in the upcoming year. Notably, Aytu BioPharma holds the lowest EV to sales ratio, at 0.13x making it the number 1 most undervalued company amongst the companies analyzed.

biote Corp.

biote Corp. is a medical practice-building company that operates in the hormone optimization space. The company offers a comprehensive platform for biote-certified practitioners to address hormone imbalances in their patients. This includes optimizing hormone, vitamin, and mineral levels, prescribing bioidentical hormone therapies, and recommending dietary supplements. biote also sells its own line of branded dietary supplements and sterile pellet insertion kits, which are used in conjunction with hormone optimization therapies for both male and female patients. By training practitioners to identify and treat early indicators of hormone-related aging conditions, biote aims to tap into an underserved \$7 billion global market, providing affordable symptom relief for patients and driving clinic success for healthcare practitioners. The company has made significant gains this year with share price increasing ~120% since January, is expected to see double digit growth in revenues at 18.60% and has the second lowest EV/Sales ratio of 0.59x.

Medexus Pharmaceuticals, Inc.

Medexus Pharmaceuticals is a specialty pharmaceutical company operating in Canada and the United States, with a focus on therapeutic areas like oncology, hematology, rheumatology, auto-immune diseases, allergy, and dermatology. Their diverse product portfolio includes IXINITY, an intravenous recombinant factor IX therapeutic for patients 12 years and older with hemophilia B, Rasuvo and Metoject for rheumatoid arthritis and auto-immune diseases, Rupall for allergies, and Gleolan, an optical imaging agent used during glioma surgery. Additionally, they offer various over-the-counter products, such as Nyda for head lice, Oralisc for osteoarthritis, and Calcia Calcium and vitamin D products. Medexus continues to advance its product pipeline, with potential treatments for fungal nail infections and a focus on treosulfan for hematopoietic stem cell transplantation. The company has achieved strong financial results, reporting record total revenue and adjusted EBITDA for the fiscal year 2023. Notably, the share price has remained relatively unchanged over the last 12 months, and they have the 3rd lowest EV/Sales ratio at 0.80x.

Knight Therapeutics, Inc.

Knight Therapeutics is a specialty pharmaceutical company headquartered in Montreal, Canada, with operations in Canada, Latin America, and select international markets. The company focuses on developing, acquiring, manufacturing, marketing, and distributing pharmaceutical products. They offer a diverse range of medications for various indications, including oncology/hematology, infectious diseases, and other specialty areas. Some of their notable products include Tafasitamab for relapsed or refractory diffuse large B-cell lymphoma, Pemigatinib for metastatic cholangiocarcinoma, Akynzeo for prevention of chemotherapy-induced nausea and vomiting, Fostamatinib for chronic immune thrombocytopenia, and many others. Knight Therapeutics is committed to expanding its product portfolio and delivering innovative pharmaceutical solutions to patients in need. Knight also finances other life sciences companies to strengthen relationships in the industry and secure product distribution rights. In 2022, Knight reported positive financial results with increased revenues and gross margins. Knight also expanded its product portfolio by launching various pharmaceuticals in Colombia and entering exclusive license agreements with Rigel Pharmaceuticals and Helsinn for commercialization in Latin America and Canada.

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Arvinas, Inc.

Arvinas is a clinical-stage biotechnology company that aims to improve the lives of patients with serious diseases by pioneering therapies based on targeted protein degradation. The company specializes in developing proteolysis targeting chimeras (PROTAC) targeted protein degraders that harness the body's natural protein disposal system to degrade and remove disease-causing proteins. Arvinas has a robust pipeline of investigational therapies, including Bavdegalutamide and ARV-766 for metastatic castration-resistant prostate cancer, and ARV-471 for estrogen receptor-positive breast cancer. Their approach is to be transformative for patients, and by challenging the perceived limits of drug discovery by targeting proteins that were previously considered "undruggable" by traditional methods. Arvinas collaborates with leading drug development companies and uses its proprietary PROTAC Discovery Engine platform to unlock new possibilities for patients in need. The company is one of the largest in our analysis at a market cap of \$1.3 billion and has a low projected revenue growth of 0.32% over the next year.

Assertio Holdings, Inc.

Assertio Holdings is a pharmaceutical company that has historically focused on drugs for inflammation, pain, and CNS disorders, but is now venturing into the field of oncology. The company has experienced significant revenue growth recently, attributed to successful sales of key products like Indocin and Sympazan, which offset declines in other drugs. They are known for their diverse pipeline, including rare disease medications, migraine treatments, pain management, and nasal spray solutions. Assertio made strategic moves, such as acquiring Spectrum Pharmaceuticals, which has provided them with immediate revenue diversification and a sustainable growth driver. The company has done well given the financial climate with the share price rising ~33.75% over the last 12 months and is confident in its ability to defend against new competition in the market and maintain its position. Assertio is expected to see around 9% in revenue growth over the next year, however this does not consider recent improvements in efficiency the company has made in its sales and marketing efforts.

SIGA Technologies, Inc.

SIGA Technologies is a commercial-stage pharmaceutical company that focuses on providing solutions for unmet needs in the health security market, including medical countermeasures against chemical, biological, radiological, and nuclear threats, as well as emerging infectious diseases. SIGA's flagship product is TPOXX® (tecovirimat), which is approved by the FDA for the treatment of smallpox. Additionally, the European Medicines Agency has approved oral TPOXX for the treatment of smallpox, monkeypox, cowpox, and vaccinia complications following vaccination against smallpox. The company has received significant contracts from the U.S. government, including a recent contract with the Biomedical Advanced Research and Development Authority (BARDA) worth over \$600 million for the maintenance of a strategic stockpile of smallpox antiviral therapy. The company is expected to see a double digit increase in its revenue over the next year at 58.10%.

Alimera Sciences, Inc.

Alimera Sciences is a global pharmaceutical company with a focus on retinal health and improved vision. They have experienced significant revenue growth, mainly driven by their flagship product, ILUVIEN, used for treating diabetic macular edema (DME). Recently, they made an important acquisition of additional commercial rights for Yutiq from EyePoint Pharmaceuticals, which allows them to expand their portfolio in the retina space. Both ILUVIEN and Yutiq deliver a continuous microdose of corticosteroid for up to 36 months, this dosing strategy could significantly improve long-term efficacy and safety outcome for eye disease patients. The integration of Yutiq is expected to strengthen Alimera's financial performance. The company is expected to see a double digit increase in its revenue over the next year at 52.10%. Additionally, the company recently completed enrollment in the NEW DAY study, which aims to provide paradigm-shifting data to improve DME treatment options for patients, data is expected in 2H 2024. Note: Alimera's EV to Sales ratio was calculated using an updated EV of \$220 million (due to the recent acquisition of Yutiq) which was not reflected in the original data sourced from CapIQ.

Collegium Pharmaceuticals, Inc.

Collegium Pharmaceuticals is a specialty pharmaceutical company dedicated to improving the lives of people suffering from serious medical conditions, particularly those with moderate-to-severe pain. Their portfolio includes medications such as Xtampza ER and Belbuca, which have seen strong sales and revenue growth. Xtampza ER is an abuse-deterrent oral formulation of oxycodone for managing severe pain, while Belbuca is a buccal film containing buprenorphine. The company has a clear strategy to deliver top and bottom-line growth, including contract renegotiations for Xtampza ER to improve gross to net margins and secure new payer wins. They also aim to increase prescription volumes for Belbuca and Xtampza ER and improve patient access to their products. The company stock price has risen 18.89% over the last 12 months despite the financial climate and is expected to see double digit growth in revenue over the next year at 23%. The company is focused on maximizing the potential of their pain products, executing their capital deployment strategy, and positioning themselves for further growth.

Amylyx Pharmaceuticals, Inc.

Amylyx Pharmaceuticals is a biopharmaceutical company with a focus on improving the lives of individuals affected by neurodegenerative diseases, particularly amyotrophic lateral sclerosis (ALS). The company's key products, RELYVRIO and ALBRIOZA, are designed to treat ALS by slowing down disease progression and alleviating symptoms. The company is currently pursuing regulatory approvals for AMX0035, its ALS treatment, in various regions. They are also developing other drug candidates for neurodegenerative diseases, including AMX0114. Amylyx Pharmaceuticals has seen substantial revenue growth due to the success of Relyvrio, generating \$71.4 million in sales in Q1 and \$84.5 million in Q2 2023, and is expected to continue growing its revenues significantly in the future. The company placed the highest in terms of anticipated growth in revenues over the next year at 1646.6%.

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