Biotechnology

Ocuphire Pharma Inc. (OCUP)

EQUITY RESEARCH
November 8, 2022

Price: $2.08
Price Target: $24.00

Rating: Overweight

Key Statistics:

Symbol	NASDAQ: OCUP
52-Week Range	$1.78 - $5.50
Market Cap ($M)	43.3
ADV (3 mo)	73,888
Shares Out (M)	20.8

Ocuphire became a publicly traded company on November 6, 2020, as a result of a reverse merger with Rexahn Pharmaceuticals.

Research Analysts:

Kristen Kluska
212-915-1927
Kristen.Kluska@cantor.com

Richard Miller, Ph.D.
212-915-1803
rick.miller@cantor.com

One-Year Price History

Quick Take

First Takes on OCUP Licensing Agreement

Takeaways

- **Yesterday (11/7), Ocuphire Pharma ("OCUP") announced that Viatris (VTRS, NC) would commercialize Nyxol (alpha-1/2 adrenergic antagonist) in three indications after Viatris acquired FamyGen Life Sciences ("Famy"; private) and Ocuphire concluded its exclusive license agreement with Famy.**
- Ocuphire is hosting a conference call today (11/8) to discuss the transaction and is currently trading up pre-market (~+30%) after the news.
- **Our model assumed that OCUP would find** a commercial partner given the large market sizes behind these three indications. We are not surprised to see the company land a partnership after the positive data in Phase 2 and 3 studies across these indications.
- Under the agreement, Famy could assume the development and commercialization of Nyxol in reversal of mydriasis (RM), presbyopia, and night vision disturbances (NVD) in the U.S., Europe, Japan, India, China and other global markets.
- According to the deal terms, Ocuphire is guided to receive a $35M upfront cash payment + $10M milestone pending the FDA approval for Nyxol in RM (plus additional sales milestones pending certain annual sales thresholds). Ocuphire guided that these terms could fund the development of APX3330 in DR/DME into 2025. Thus, we believe this removes a near-term financial overhang on the company as well.
- Ocuphire could also be eligible for tiered royalties (low-double-digit up to low 20%) for aggregate annual net sales in the U.S. and low-double-digit royalties on annual net sales outside the U.S.
- Additionally, Famy will reimburse Ocuphire for development-related costs through potential FDA approval.
- **Our model is under review following the announcement, and we intend to publish additional thoughts after the conference call.**

Investment Thesis

We reiterate our OW rating and 12-month PT of $24 on OCUP. We believe that the company's current strategy of targeting both front- and back-of-eye indications could lead to significant upside, as it has achieved the primary endpoint in multiple later-stage clinical trials in the last two years with its lead candidate Nyxol (alpha-1/2 adrenergic antagonist). We also believe that the ongoing Phase 2b trial for APX3330 in diabetic retinopathy (DR)/ diabetic macular edema (DME) could provide another shot on goal.

The Disclosure Section may be found on pages 3 - 4.

Valuation

We use a probability-adjusted DCF analysis to value OCUP shares. We model cash flows out to 2035. We assume a discount rate of 12% and do not assign a terminal value. Together, this leads us to a total NPV of ~$586 million (including a $50M pipeline placeholder). When accounting for cash (~$2.36/share), this leads us to our 12-month price target of $24/share. We use cash and shares outstanding in 12 months (3Q23E) and model future financings.

Risks

Clinical trial risk: Ocuphire is a clinical-stage company and currently has no commercial products. If clinical trials fail, the company may never have commercial sales.

Regulatory risk: As with other drug development companies, Ocuphire will require approval from regulatory agencies. The company could face challenges in attaining regulatory approval from these agencies. For example, the FDA could require the company to run additional clinical trials and produce more data, resulting in significant delays toward market approval.

Reimbursement risk: If Nyxol or AXP3330 are approved for use, Ocuphire will need to seek reimbursement from various entities, including governments and private and public payers. Without reimbursement, Ocuphire could fail to generate revenues successfully.

Competitive risk: There are a number of companies in clinical development for some of Ocuphire's lead indications, in particular, presbyopia. We expect competitors to come to the market before Ocuphire. Furthermore, some of these companies are large pharma, and thus have a global footprint.

Financing risk: We believe Ocuphire will require additional financing to move forward with its programs before any can become commercially available.

Company Description

Ocuphire Pharma (OCUP) is a clinical-stage biopharmaceutical company developing therapies to address large market ophthalmology conditions. Ocuphire currently has several programs in multiple front-of-eye and back-of-eye indications, including Nyxol in reversal of mydriasis (RM), dim light or night vision disturbances (NVD), Nyxol + low dose pilocarpine in presbyopia and APX3330 in diabetic retinopathy (DR)/macular edema (DME). Ocuphire became public in Nov. 2020 through a reverse merger with Rexahn Pharmaceuticals (REXN, NC) and is based in Farmington Hills, MI.

Disclosures Appendix

Analyst Certification

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Overweight/OW: We expect the stock's total return to exceed 15% over the next 12 months. For the purpose of calculating the percentage of subject companies within the Buy, Hold, and Sell categories for whom Cantor Fitzgerald has provided investment banking services within the previous 12 months, an Overweight rating equates to a Buy rating.

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Total return is defined as the sum of (1) the percentage difference between the target price and the current price and (2) the expected dividend yield of the stock.

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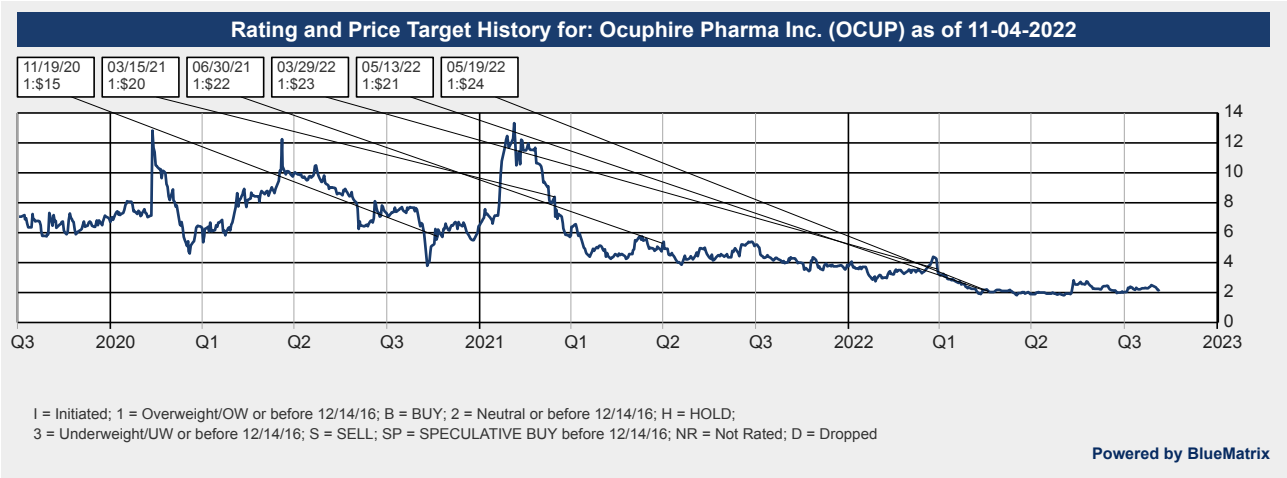

Distribution of Ratings/Investment Banking Services (IB) as of 11/08/22

	Cantor		IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [1/B]	**233**	**85.35**	**171**	**73.39**
HOLD [2]	**40**	**14.65**	**20**	**50.00**
SELL [SL/3]	**0**	**0.00**	**0**	**0.00**

U.S. Equity Research Analysts & Management

Director of Equity Research

David Siffringer
212-829-7091
David.Siffringer@cantor.com

BIOTECH/HEALTHCARE

Biopharma & Biotech

Brandon Folkes, CFA
212-294-8081
Brandon.Folkes@cantor.com

Biotechnology

Prakhar Agrawal
212-610-3614
Prakhar.Agrawal@cantor.com

Olivia Brayer
(212) 428-5907
Olivia.Brayer@cantor.com

Charles C. Duncan, Ph.D.
212-915-1236
Charles.Duncan@cantor.com

Avraham Novick
212-359-8723
Avraham.Novick@cantor.com

Kristen Kluska
212-915-1927
Kristen.Kluska@cantor.com

Rick Miller, Ph.D.
212-915-1803
Rick.Miller@cantor.com

Pete Stavropoulos, Ph.D.
212-915-1966
Pete.Stavropoulos@cantor.com

Li Watsek
212-915-1221
Li.Watsek@cantor.com

Large Cap Pharma, Biopharma & Biotech

Louise Chen
212-915-1794
Louise.Chen@cantor.com

Carvey Leung
212-915-1917
Carvey.Leung@cantor.com

Wayne Wu
212-294-7879
Wayne.Wu@cantor.com

Jennifer Kim
212-829-4860
Jennifer.Kim@cantor.com

Life Science Tools & Diagnostics

Ross Osborn
212-915-1806
Ross.Osborn@cantor.com

Medical Devices & Supplies

Brandon Folkes, CFA
212-294-8081
Brandon.Folkes@cantor.com

Ross Osborn
212-915-1806
Ross.Osborn@cantor.com

CANNABIS

Cannabis

Cannabis Services

Wellness

Pablo Zuanic
212.915.1057
Pablo.Zuanic@cantor.com

TECHNOLOGY

Alternative Energy & Industrial Technology

Andres Sheppard
212-428-5983
Andres.Sheppard@cantor.com

Clean Tech

Derek Soderberg
212-359-8721
Derek.Soderberg@cantor.com

Consumer Internet

Software

Brett Knoblauch
212-610-2221
Brett.Knoblauch@cantor.com

Alex Medow
212-294-8016
Alex.Medow@cantor.com

Crypto & Blockchain

Financial Technology

Josh Siegler
212-428-5960
Josh.Siegler@cantor.com

Keeler Patton
212-829-5457
Keeler.Patton@cantor.com

Will Carlson
212-829-4709
Will.Carlson@cantor.com

Security & Infrastructure Software

Jonathan Ruykhaver, CFA
617-443-4473
Jonathan.Ruykhaver@cantor.com

Yi Fu Lee, CFA, CPA, CMT, CAIA
212-915-1235
YiFu.Lee@cantor.com