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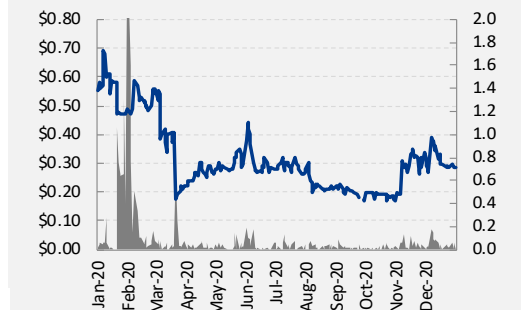
IGX-TSXV	
Rating:	Speculative Buy
Target:	\$1.00
Price:	\$0.29
Return:	251%
Valuation:	NPV, 20x EPS, 12.5x EV/EBITDA (F2024; 35% disc. rate)

Market Data	
Basic Shares O/S (M)	111.1
FD Shares O/S (M)	151.8
Market capitalization (US\$M)	31.7
Enterprise Value (US\$M)	39.8
Cash (US\$M, most rec Q)	3.0
LT debt (US\$M, most rec Q)	9.4
52 Week Range	\$0.16-\$0.80
Avg. Weekly Volume (M)	0.03
Fiscal Year End	Dec-31

Key Milestone	
VersaFilm-cannabis, retail launch	H121
Rizaport, FDA Approval/Launch	H121
Exordia/tadalafil, FDA Approval/Launch	2022
Generic Suboxone film, US	Q123

Financial Metrics			
In US\$	2020E	2021E	2022E
Total Rev. (US\$000)	4,249	12,575	20,603
EBITDA (US\$000)	(6,291)	1,159	8,602
Adj net inc (US\$000)	(8,452)	(1,002)	4,734
EPS (basic; US\$)	(\$0.08)	(\$0.01)	\$0.04
EPS (fd; US\$)	(\$0.06)	(\$0.01)	\$0.03
P/E	NA	NA	5.4x
EV/EBITDA	NA	34.4x	4.6x

**Company Description**  
IntelGenx is a manufacturer and drug developer of thin film and buccal film formulations based on the firm's main technology platform VersaFilm.



Source: Refinitiv, Leede Jones Gable

## New Purchase Order Provides Visibility on Revenue Traction for Thin-Film Cannabis Franchise in F2021 – Spec BUY

IntelGenx provided an update regarding its ongoing partnership with Heritage Cannabis (CANN-CSE, NR). The firm has received a new purchase order that will see the production of 50,000 CBD film strips (10 mg CBD), presumably based on IntelGenx's proprietary thin-film sublingual drug delivery platform VersaFilm, with first shipment expected by Q221.

### Investment Summary

**Positive signal from new partner providing indicating revenue traction in H121:** The Heritage Cannabis agreement was initially signed in Oct/20 for the supply of CBD film strips targeting Canadian and Australian markets. Under the agreement, Heritage will supply CBD material required for the supply and manufacture of the filmstrips. IGX will receive both a manufacturing margin and royalties based on gross margin. We are encouraged that today's purchase order agreement provides further visibility on the recent agreement, although material terms have yet to be disclosed.

**No change in our forecasts for now:** Although today's news is certainly positive for IntelGenx's cannabinoid franchise, we for now make no changes to our estimates as financial terms have yet to be disclosed. That said, in 2021, we anticipate revenue of \$5.5M to be generated from the firm's line of cannabinoids-infused oral CBD strips. As we've emphasized in our prior report, oral CBD/THC strip formulations have so far commanded premium pricing, and subsequent revenue generation from product launches should be considered an inflection point for IGX. Our cannabinoid forecasts currently anticipate contribution from BC-based partner Tilray (TLRY-Q, NR, soon to be part of Aphria; APHA-Q, NR) as it relates to the development of oral cannabis films targeting the recreational use and medical cannabis markets.

While on the topic of Tilray/Aphria, the proposed merger in late Dec/20 is expected to consolidate about 17% of the overall Canadian cannabis market in the merged entity and so for now, we see the glass as half-full on how Tilray's new corporate framework could impact its thin-film cannabis formulation/marketing activities and its relationship with IntelGenx. But importantly, Aphria itself already had a partnership in place with Rapid Dose Therapeutics (DOSE-CNSX, NR) for the production of the oral thin strip product QuickStrips, targeted at the medical and adult-use cannabis market (that agreement was expanded to include Germany in 2018). Despite the overlap, we do not anticipate any changes to Tilray's existing agreement with IntelGenx based on our view that the thin-film cannabis market can accommodate a few innovators.

**Valuation and summary: We continue to maintain our Speculative BUY rating and PT of \$1.00 on IGX.** Our PT valuation is based on the average of NPV (35% discount rate) and multiples of our F2024 EBITDA/fd EPS forecasts. In that year, we project EBITDA of US\$28.2M and fd EPS of US\$0.13. While our EPS remains unchanged, we have made changes to the total f.d shares outstanding following the issuance of 0.9M shares related to the payment of interest on the firm's 8% convertible unsecured subordinated debentures (due Jun/22); our new f.d shares outstanding is 151.8M. Our EV takes into consideration FQ320 cash of US\$3.0M and LT debt of US\$9.4M. At current levels, our PT implies a one-year return of 251%.

## Exhibit. 1 Income Statement &amp; Financial Forecasts for IntelGenx

<i>Year-end December 31 (US\$000's, except EPS)</i>	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
<b>Product Revenue</b>										
Rizaport/migraine pain	0	0	2,800	5,252	7,913	10,643	13,409	16,211	19,050	21,925
Tadalafil/erectile dysfunction	0	0	3,518	7,087	10,706	14,375	18,097	21,870	25,697	29,576
Suboxone/opioid dependence	0	0	0	0	1,936	3,900	4,909	5,933	6,971	8,023
Cannabinoids/Tilray	0	3,500	5,500	7,500	9,500	11,500	13,500	15,500	17,500	19,500
Royalties & licensing	742	749	757	764	772	780	788	796	803	812
<b>Total revenue</b>	<b>\$742</b>	<b>\$4,249</b>	<b>\$12,575</b>	<b>\$20,603</b>	<b>\$30,826</b>	<b>\$41,198</b>	<b>\$50,703</b>	<b>\$81,119</b>	<b>\$111,934</b>	<b>\$143,152</b>
Revenue growth (%)	(59.3%)	472.7%	196%	64%	50%	34%	23%	60%	38%	28%
<b>EBITDA</b>	<b>(\$8,499)</b>	<b>(\$6,291)</b>	<b>\$1,159</b>	<b>\$8,602</b>	<b>\$18,325</b>	<b>\$28,174</b>	<b>\$37,134</b>	<b>\$66,980</b>	<b>\$97,200</b>	<b>\$127,797</b>
EBITDA growth (%)	NA	(26.0%)	NA	642.0%	113.0%	53.7%	31.8%	80.4%	45.1%	31.5%
EBITDA margin (%)	NA	NA	9.2%	41.8%	59.4%	68.4%	73.2%	82.6%	86.8%	89.3%
Non-operating expenses	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051	\$1,051
Interest expense (income)	\$1,110	\$1,110	\$1,110	\$1,110	\$1,110	\$1,110	\$1,110	\$1,110	\$1,110	\$1,110
Net income, fully-taxed	(\$10,660)	(\$8,452)	(\$1,002)	\$4,734	\$11,880	\$19,120	\$25,705	\$47,642	\$69,854	\$92,342
Fully-taxed EPS (basic)	(\$0.11)	(\$0.08)	(\$0.01)	\$0.04	\$0.11	\$0.17	\$0.23	\$0.43	\$0.63	\$0.83
<b>Fully-taxed EPS (fd)</b>	<b>(\$0.09)</b>	<b>(\$0.06)</b>	<b>(\$0.01)</b>	<b>\$0.03</b>	<b>\$0.08</b>	<b>\$0.13</b>	<b>\$0.17</b>	<b>\$0.31</b>	<b>\$0.46</b>	<b>\$0.61</b>
P/E (basic)	NA	NA	NA	5.4x	2.1x	1.3x	1.0x	0.5x	0.4x	0.3x
EV/EBITDA	NA	NA	34.1x	4.6x	2.2x	1.4x	1.1x	0.6x	0.4x	0.3x

Source: Historical Data – IntelGenx; Forecasts/Estimates – Leede Jones Gable

## Exhibit 2. Valuation Summary for IntelGenx

<b>NPV, discount rate</b>	<b>20%</b>	<b>25%</b>	<b>35%</b>	<b>45%</b>	<b>50%</b>	<b>60%</b>
Implied value per share	\$2.87	\$1.99	<b>\$0.98</b>	\$0.54	\$0.40	\$0.22
<b>Price/earnings multiple, F2024</b>	<b>10x</b>	<b>15x</b>	<b>20x</b>	<b>25x</b>	<b>30x</b>	<b>40x</b>
Implied share price <sup>1</sup>	\$0.38	\$0.57	<b>\$0.76</b>	\$0.95	\$1.14	\$1.52
<b>EV/EBITDA multiple, F2024</b>	<b>7.5x</b>	<b>10x</b>	<b>12.5x</b>	<b>15x</b>	<b>17.5x</b>	<b>20x</b>
Implied share price <sup>1,2</sup>	\$0.43	\$0.57	<b>\$0.71</b>	\$0.85	\$0.99	\$1.13
<b>One-year IGX target price (US\$) <sup>1</sup></b>			<b>\$0.82</b>			
<b>One-year IGX target price (C\$) <sup>2</sup></b>			<b>\$1.04</b>			

<sup>1</sup> Based on F2024 fd fully-taxed EPS est of US\$0.13; EBITDA of US\$28.2M, discounted at 35%; fd S/O of 151.8M; EV incorporates Q320 cash of US\$3.0M and total debt of US\$9.4M

<sup>2</sup> Based on an implied USD:CAD exchange rate of 1.29x

Source: Leede Jones Gable

Disclosures None

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<b>Speculative Buy</b>	The security is considered a BUY but carries an above-average level of risk.
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RECOMMENDATION	NO. OF COMPANIES	%
Buy	6	50.0%
Speculative Buy	5	41.7%
Hold	1	8.3%
Sell	-	-
Tender	-	-
Under Review	-	-

