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TH-TSX

Rating:	Speculative Buy
Target:	\$4.00
Price:	\$2.97
Return:	35%
Valuation:	NPV (35% disc. rate), 20x EPS, 12.5x EV/EBITDA (F2024 ests)

Market Data

Basic Shares O/S (M)	77.0
FD Shares O/S (M)	80.3
Market Cap (basic, C\$M)	215.6
Ent Val (basic, C\$M)	253.6
Pro forma cash (C\$M)	34.3
Pro forma LT debt (C\$M)	72.3
52 Week Range	1.93-\$4.38
Avg. Daily Volume (M)	0.4255
Fiscal Year End	Nov 30

Milestone Forecasts

Tesamorelin, IND filing/NASH	Q121
Ibalizumab, IV push clinical data	H121
TH1902, Phase I data (trip-neg BC)	H221
TH1904, Phase I data (ovarian canc)	H221

Financial Metrics

In US\$M	2020E	2021E	2022E
Tesamorelin rev, U.S./Cda	33.5	43.2	45.1
Tesamorelin rev, L.Amer	0.0	0.0	0.2
Tesamorelin rev, EU	0.4	0.9	1.4
Ibalizumab, US	28.1	60.8	81.9
Ibalizumab, EU	2.5	12.7	19.3
Milestone rev	0.0	0.0	0.0
Total revenue	64.6	117.6	147.8
EBITDA	(2.1)	20.9	33.5
Net income (fully-taxed)	(13.1)	6.9	15.5
FD EPS (fully-taxed)	(\$0.16)	\$0.09	\$0.19
P/E	NA	32.8x	14.5x
EV/EBITDA	NA	12.1x	7.6x

Company Description

Theratechnologies is a QC-based endocrinology drug developer, with FDA-approved HIV lipodystrophy drug Egriftra generating stable US sales traction, pending upside from RoW markets. Multidrug-resistant HIV-1 mAb drug Trogarzo is now US/EU-approved, launched in FQ218. Egriftra testing in NASH is pending



Source: Refinitiv

Initiating Coverage on Innovative HIV Drug Developer with a Speculative BUY Rating

We are initiating on Theratechnologies (Thera) with a Speculative BUY rating and price target of \$4.00. Theratechnologies is a diversified pharma firm, with two specialty drugs Egriftra and Trogarzo already approved and targeting niche HIV indications (HIV lipodystrophy and multidrug-resistant HIV1 infection, respectively) with substantial quarterly revenue already being generated, if a bit below our original expectations for both drugs. Egriftra is a stabilized, fatty-acid-derivatized analog of growth hormone-releasing factor that has documented impact on reducing visceral adipose tissue deposition in HIV1-infected individuals. Trogarzo is a partnered (with Taiwan-based TaiMed Biologics(4147-TW, NR)) anti-CD4 mAb that targets CD4-positive/HIV1-infected T-cells and mitigates HIV1 infection in patients that are no longer responsive to two or more of the small-molecule anti-retroviral drugs that are conventionally used to treat disease. Pivotal Phase III data were positive and FDA approval-enabling, and both drugs are projected to contribute positively to revenue/EBITDA throughout our forecast period.

We endorse deploying capital to fund new Phase I oncology/Phase III endocrinology testing, but new R&D expense will compress Egriftra/Trogarzo-derived EBITDA in the near-term: Concurrently on the drug development front, the firm is now deploying capital to fund new clinical activities. These activities will undoubtedly compress achievable EBITDA in the near-term (and we believe that recent TH share performance reflects broad realization of that probability), but with upside on the horizon on nascent clinical data. Such activities include new Egriftra Phase III testing for treating fatty liver disease, specifically non-alcoholic steatohepatitis. The trial will target HIV1-infected patients (as already been documented in at least two published Phase II trials), and the broader non-infected though hepatically-diseased population.

Separately, we expect Thera to fund two pending Phase I oncology studies testing its recently-acquired (from private QC-based drug developer Katana in Q119) conjugated anti-cancer drugs TH1902 and TH1904. Both drugs are covalently linked to peptides that mimic part of the protein sortilin, which binds to a receptor that is dramatically overexpressed on the surface of many cancer forms. Triple-negative breast cancer (TNBC) will be targeted by docetaxel-sortilin peptide-conjugated '1902 and advanced ovarian cancer will be targeted by doxorubicin-sortilin peptide-conjugated '1904. We expect both trials to begin in a quarter or two (IND filing for '1902/TNBC is imminent), subject to pandemic constraints that are impacting trial logistics for many firms in our coverage universe, and to generate anti-tumor/safety data by end-of-H122.

FQ320 Egriftra/Trogarzo sales performance continue to generate positive EBITDA/margin despite pandemic logistics: We continue to believe that Theratechnologies continues to create market value through sustained gross margin contribution from lead HIV drugs Egriftra and Trogarzo despite the near-term reality that commercial sale of both drugs was constrained by pandemic logistics during FQ220-FQ320, which is likely to extend at least into the next two quarters, as our model assumes.

Exhibit 1. Financial Summary for Theratechnologies

<i>Year-end November 30</i> <i>(US\$000, except per share data)</i>	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Tesamorelin revenue, US/Cda	\$35,520	\$33,541	\$43,222	\$45,116	\$47,048	\$49,019	\$51,029	\$53,078	\$55,165
Tesamorelin revenue, RoW	\$0	\$438	\$898	\$1,590	\$1,840	\$2,098	\$2,142	\$2,187	\$2,232
Ibalizumab gross revenue, US	\$27,696	\$28,090	\$60,796	\$81,872	\$103,363	\$125,276	\$147,617	\$170,392	\$193,608
Ibalizumab gross revenue, EU	\$0	\$2,518	\$12,718	\$19,268	\$32,434	\$52,414	\$66,173	\$80,201	\$94,504
Milestone revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total revenue	\$63,216	\$64,588	\$117,634	\$147,845	\$184,685	\$228,806	\$266,961	\$305,858	\$345,508
Less: Estimated royalties to Merck-Serono on US sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Egrifta direct costs	\$6,790	\$5,097	\$6,618	\$7,006	\$7,333	\$7,668	\$7,976	\$8,290	\$8,610
Less: TaiMed's share of gross ibalizumab US/EU sales	\$14,402	\$15,778	\$37,527	\$51,532	\$68,829	\$89,513	\$104,829	\$122,622	\$140,761
Gross profit	\$42,024	\$43,713	\$73,489	\$89,307	\$108,523	\$131,626	\$154,156	\$174,946	\$196,138
<i>Gross margin (%)</i>	<i>66%</i>	<i>68%</i>	<i>62%</i>	<i>60%</i>	<i>59%</i>	<i>58%</i>	<i>58%</i>	<i>57%</i>	<i>57%</i>
R&D expenses	\$10,841	\$18,558	\$19,486	\$20,460	\$19,437	\$14,578	\$10,933	\$8,200	\$6,150
Operating expenses	\$26,429	\$27,206	\$33,071	\$35,389	\$37,883	\$41,638	\$44,989	\$48,405	\$51,888
EBITDA	(\$130)	(\$2,051)	\$20,933	\$33,458	\$51,203	\$75,410	\$98,234	\$118,340	\$138,099
<i>EBITDA margin</i>	<i>NA</i>	<i>NA</i>	<i>18%</i>	<i>23%</i>	<i>28%</i>	<i>33%</i>	<i>37%</i>	<i>39%</i>	<i>40%</i>
<i>Revenue growth (%)</i>	<i>(24%)</i>	<i>(6%)</i>	<i>29%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>
Earnings before tax	(\$12,496)	(\$13,053)	\$9,930	\$22,455	\$40,200	\$64,407	\$87,231	\$107,338	\$127,096
Fully taxed net income	(\$12,496)	(\$13,053)	\$6,852	\$15,494	\$27,738	\$44,441	\$60,190	\$74,063	\$87,696
EPS (fully-taxed, basic)	(\$0.16)	(\$0.17)	\$0.09	\$0.20	\$0.36	\$0.58	\$0.78	\$0.96	\$1.14
EPS (fully-taxed, fd)	(\$0.16)	(\$0.16)	\$0.09	\$0.19	\$0.35	\$0.55	\$0.75	\$0.92	\$1.09
Cash to Merck-Serono	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>EV/EBITDA</i>	<i>NA</i>	<i>NA</i>	<i>11.7x</i>	<i>7.3x</i>	<i>4.8x</i>	<i>3.3x</i>	<i>2.5x</i>	<i>2.1x</i>	<i>1.8x</i>
<i>P/E</i>	<i>NA</i>	<i>NA</i>	<i>31.5x</i>	<i>13.9x</i>	<i>7.8x</i>	<i>4.9x</i>	<i>3.6x</i>	<i>2.9x</i>	<i>2.5x</i>

Source: Historical data – Company Information (Theratechnologies), Forecasts/Estimates – Leede Jones Gable

Trogarzo poised to experience at least modest EU growth through regional launch later this year: The firm recently launched Trogarzo in Germany in Sep/20 (and launch in Scandinavia [specifically Norway] is pending), and so there is clear potential for EU Trogarzo sales to augment US sales already driving value in our model. We continue to believe that Trogarzo sales can grow sequentially throughout our forecast period, but there is a new competitor in the multidrug-resistant HIV1-infection market in ViiV Healthcare's (Private; HIV-focused R&D joint-venture of Shionogi (4507-JP, NR), GlaxoSmithKline (GSK-L, NR) & Pfizer(PFE-NY, NR)) small-molecule anti-retroviral fostemsavir/Rukobia, which was FDA-approved in FQ220. We have long believed that small-molecule HIV drug developers like ViiV and others could target multidrug-resistant disease just by developing novel small-molecule anti-retroviral drugs with no clinical history and thus no endogenous resistance profile until it develops in the general patient population.

Exhibit 2. Valuation Summary for Theratechnologies

NPV, discount rate		15%	25%	35%	45%	55%	65%
Implied value per share		\$10.65	\$5.45	\$3.03	\$2.05	\$1.45	\$1.11
Discounted Share Price end-of-F2021							
Price/earnings multiple, F2024	P/E	15%	25%	35%	45%	55%	65%
Implied share price ¹	10	\$3.13	\$2.24	\$1.65	\$1.24	\$0.95	\$0.74
	20	\$6.26	\$4.48	\$3.33	\$2.48	\$1.90	\$1.48
	30	\$9.39	\$6.72	\$4.95	\$3.72	\$2.85	\$2.22
EV/EBITDA multiple, F2024		5.0x	10.0x	12.5x	15.0x	17.5x	20.0x
Implied share price ^{1,2,3}		\$1.30	\$2.72	\$3.42	\$4.13	\$4.84	\$5.55
One-year Theratechnologies target price (US\$)				\$3.26			
One-year Theratechnologies target price (C\$)				\$4.17			

¹ Based on F2024 fd, fully-taxed EPS forecast of US\$0.55; EBITDA of US\$75.4M; shares outstanding (fd) 80.3M; 35% discount rate in all methods

^{2,3} EV incorporates FQ320 cash of US\$26.8M, LT debt of US\$56.6M

Source: Historical data – Company Information (Theratechnologies), Forecasts/Estimates – Leede Jones Gable

To be fair to Viiv, it did properly fund Phase III testing specifically in multidrug-resistant disease, and data were strong in a 371-patient 48-week Phase III pivotal trial that was published this year in the *New England Journal of Medicine*. Accordingly, we believe fostemsavir/Rukobia can capture its own sizable share of MDR HIV1 market share. We assume same for Trogarzo as supported by its own pivotal Phase III data, especially when considering that because Trogarzo targets a human T-cell surface antigen (CD4), its vulnerability to downstream resistance should be lower than for other virus-targeted agents. Our model still assumes that both molecules target a 10,000-to-20,000 MDR HIV-1 patient population just in the US alone, and that Trogarzo's quarterly sales so far imply that much of this market is still largely untapped.

Exhibit 3. Revenue Projections for Theratechnologies – Egrifta/Tesamorelin

<i>Fiscal year-end November 30 (US\$000, unless otherwise stated)</i>	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenue projections, U.S./Canada									
AIDS prevalence (U.S./Canada)	1,360,000	1,384,000	1,408,000	1,432,000	1,456,000	1,480,000	1,504,000	1,528,000	1,552,000
Proportion of patients with HIV lipodystrophy	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
Price per treatment per month (in US\$)	\$4,147	\$4,147	\$4,147	\$4,147	\$4,147	\$4,147	\$4,147	\$4,147	\$4,147
Price per treatment per year (in US\$)	\$49,765	\$49,765	\$49,765	\$49,765	\$49,765	\$49,765	\$49,765	\$49,765	\$49,765
Less: assumed mark-up from transfer price to CSOs (US\$)	(\$9,953)	(\$9,953)	(\$9,953)	(\$9,953)	(\$9,953)	(\$9,953)	(\$9,953)	(\$9,953)	(\$9,953)
Net price to Thera per year (US\$)	39,812	39,812	39,812	39,812	39,812	39,812	39,812	39,812	39,812
Share of Egrifta economics (%)	100%	100%	100%	100%	100%	100%	100%	100%	100%
Market penetration (%)	0.36%	0.30%	0.38%	0.39%	0.40%	0.41%	0.42%	0.43%	0.44%
Tesamorelin annual revenue, U.S./Canada (US\$000)	\$35,520	\$33,541	\$43,222	\$45,116	\$47,048	\$49,019	\$51,029	\$53,078	\$55,165
Implied number of patients treated per year	714	674	869	907	945	985	1,025	1,067	1,109
Revenue projections, Latin America (principally Brazil, Mexico)									
AIDS prevalence (Brazil, Mexico)	1,218,000	1,242,000	1,266,000	1,290,000	1,314,000	1,338,000	1,362,000	1,386,000	1,410,000
Proportion of patients with HIV lipodystrophy	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
Price per treatment per month (US\$)	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833
Price per treatment per year (US\$)	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Less: assumed mark-up from transfer price (US\$)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)
Net price to Thera per year (US\$)	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Market penetration (%)	0.00%	0.00%	0.00%	0.01%	0.02%	0.03%	0.03%	0.03%	0.03%
Tesamorelin annual revenue, Latin America (US\$000)	\$0	\$0	\$0	\$209	\$426	\$651	\$663	\$674	\$686
Implied number of patients treated per year	0	0	0	26	53	81	83	84	86
Revenue projections, Europe									
AIDS prevalence (Europe)	932,000	956,000	980,000	1,004,000	1,028,000	1,052,000	1,076,000	1,100,000	1,124,000
Proportion of patients with HIV lipodystrophy	28.6%	28.6%	28.6%	28.6%	28.6%	28.6%	28.6%	28.6%	28.6%
Price per treatment per month (in US\$)	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667
Price per treatment per year (in US\$)	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Less: assumed mark-up from transfer price (US\$)	(\$4,000)	(\$4,000)	(\$4,000)	(\$4,000)	(\$4,000)	(\$4,000)	(\$4,000)	(\$4,000)	(\$4,000)
Net price to Thera per year (US\$)	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000
Market penetration (%)	0.01%	0.01%	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Tesamorelin annual revenue, Europe (US\$000)	\$0	\$438	\$898	\$1,381	\$1,414	\$1,447	\$1,480	\$1,513	\$1,546
Implied number of patients treated per year	0	27	56	86	88	90	92	95	97
Total US gross revenue (non-royalty) (US\$000)	\$35,520	\$33,541	\$43,222	\$45,116	\$47,048	\$49,019	\$51,029	\$53,078	\$55,165
Total RoW tesamorelin royalty revenue (US\$000)	\$0	\$438	\$898	\$1,590	\$1,840	\$2,098	\$2,142	\$2,187	\$2,232
Total Egrifta product revenue (US\$000)	\$35,520	\$33,979	\$44,120	\$46,705	\$48,888	\$51,117	\$53,171	\$55,265	\$57,397

Source: Historical data – Company Information (Theratechnologies), Forecasts/Estimates – Leede Jones Gable

Commencement of new clinical activities in Egrifta/NASH, TH1902/triple-negative breast cancer, and TH1904/advanced ovarian cancer: On development timelines for pending clinical programs, we are encouraged that Thera expects to commence Phase III Egrifta testing in non-alcoholic steatohepatitis (NASH)/fatty liver disease by end-of-2020. We believe that the firm should drive aggressively to this milestone, and then to data, with final Egrifta/NASH data expected by us in F2023. On the doxorubicin-conjugated sortilin receptor-targeted drug TH1902, we expect an IND seeking permission to commence enrollment in a Phase I triple-negative breast cancer trial to be submitted by FQ420, and for enrollment to begin during FQ121.

Separately, on the second oncology drug TH1904, we expect IND submission for Phase I advanced ovarian cancer testing to be submitted probably during FQ121 and for enrollment to commence shortly thereafter. Timelines to data for both oncology programs will likely extend well into F2022, but we look forward to reviewing interim tumor response/progression-free survival/overall survival data near end of F2022. Our revenue projections for Egrifta (excluding NASH for now) and Trogarzo are as shown in Exhibits 3 and 4.

Exhibit 4. Revenue Projections for Theratechnologies – Trogarzo/Ibalizumab

<i>Fiscal year-end November 30</i> <i>(US\$000, unless otherwise stated)</i>	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Ibalizumab, US									
Total multidrug-resistant HIV population, US	25,867	26,126	26,387	26,651	26,917	27,187	27,458	27,733	28,010
Proportion amenable to ibalizumab therapy	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Total prevalence, addressable MDR HIV	10,347	10,450	10,555	10,660	10,767	10,875	10,983	11,093	11,204
Price per treatment per month (US\$)	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Price per treatment per year (US\$)	\$96,000	\$96,000	\$96,000	\$96,000	\$96,000	\$96,000	\$96,000	\$96,000	\$96,000
Market penetration (%)	2.6%	2.8%	6.0%	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%
Ibalizumab gross sales, US (US\$000)	\$27,696	\$28,090	\$60,796	\$81,872	\$103,363	\$125,276	\$147,617	\$170,392	\$193,608
Implied number of patients treated per year	269	293	633	853	1,077	1,305	1,538	1,775	2,017
Less: Ibalizumab transfer price paid to TaiMed (48% of gross sales; US\$000)	(\$14,402)	(\$14,607)	(\$31,614)	(\$42,573)	(\$53,749)	(\$65,143)	(\$76,761)	(\$88,604)	(\$100,676)
Ibalizumab net sales, US (US\$000)	\$13,294	\$13,483	\$29,182	\$39,298	\$49,614	\$60,132	\$70,856	\$81,788	\$92,932
Ibalizumab, EU									
Total multidrug-resistant HIV population, EU	38,852	39,240	39,633	40,029	40,429	40,833	41,242	41,654	42,071
Proportion amenable to ibalizumab therapy	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Total prevalence, addressable MDR HIV	15,541	15,696	15,853	16,012	16,172	16,333	16,497	16,662	16,828
Price per treatment per month (€)	€ 5,453	€ 5,453	€ 5,453	€ 5,453	€ 5,453	€ 5,453	€ 5,453	€ 5,453	€ 5,453
Price per treatment per year (€)	€ 65,440	€ 65,440	€ 65,440	€ 65,440	€ 65,440	€ 65,440	€ 65,440	€ 65,440	€ 65,440
Market penetration (%)	0.0%	0.2%	1.0%	1.5%	2.5%	4.0%	5.0%	6.0%	7.0%
Ibalizumab gross sales, EU (€000)	€ 0	€ 2,054	€ 10,374	€ 15,717	€ 26,457	€ 42,754	€ 53,977	€ 65,420	€ 77,087
Ibalizumab gross sales, EU (US\$000)	\$0	\$2,518	\$12,718	\$19,268	\$32,434	\$52,414	\$66,173	\$80,201	\$94,504
Implied number of patients treated per year	0	31	159	240	404	653	825	1,000	1,178
Less: Ibalizumab transfer price paid to TaiMed	€ 0	-€ 1,171	-€ 5,913	-€ 8,959	-€ 15,080	-€ 24,370	-€ 28,068	-€ 34,018	-€ 40,085
Ibalizumab net sales, EU (€000)	€ 0	€ 883	€ 4,461	€ 6,758	€ 11,376	€ 18,384	€ 25,909	€ 31,402	€ 37,002
Ibalizumab net sales, EU (US\$000)	\$0	\$1,083	\$5,469	\$8,285	\$13,947	\$22,538	\$31,763	\$38,497	\$45,362
Ibalizumab gross sales, US/EU (US\$000)	\$27,696	\$30,145	\$71,170	\$97,588	\$129,820	\$168,030	\$201,594	\$235,812	\$270,695
Ibalizumab net sales to Thera, US/EU (US\$000)	\$13,294	\$14,566	\$34,651	\$47,584	\$63,561	\$82,670	\$102,619	\$120,285	\$138,294
Total product gross sales, US/EU	\$63,216	\$64,124	\$115,290	\$144,294	\$178,707	\$219,147	\$254,765	\$291,077	\$328,091
Total product net sales, US/EU (US\$000)	\$48,814	\$48,546	\$78,771	\$94,289	\$112,449	\$133,787	\$155,790	\$175,549	\$195,690
EBITDA (US\$000)	(\$130)	(\$2,051)	\$20,933	\$33,458	\$51,203	\$75,410	\$98,234	\$118,340	\$138,099
Net income (loss, fully-taxed, C\$000)	(\$12,496)	(\$13,053)	\$6,852	\$15,494	\$27,738	\$44,441	\$60,190	\$74,063	\$87,696
EPS (basic, fully-taxed, C\$)	(\$0.16)	(\$0.16)	\$0.09	\$0.19	\$0.35	\$0.55	\$0.75	\$0.92	\$1.09
Basic shares outstanding (000)	76,953	77,013	77,013	77,013	77,013	77,013	77,013	77,013	77,013
Fully-diluted shares outstanding (000)	79,369	80,257	80,257	80,257	80,257	80,257	80,257	80,257	80,257
Average annual EUR:USD exchange rate	1.2259x	1.2259x	1.2259x	1.2259x	1.2259x	1.2259x	1.2259x	1.2259x	1.2259x

Source: Historical data – Company Information (Theratechnologies), Forecasts/Estimates – Leede Jones Gable

Our Speculative BUY rating and \$4.00 PT are based on NPV (35% discount rate) and multiples of our F2024 EBITDA/EPS forecasts (US\$75.4M & US\$0.55/shr, respectively), with our financial projections driven predominantly by Egrifta/Trogarzo sales in their respective medical markets and for their currently approved indications. Egrifta/NASH and TH1902/triple-negative breast cancer and TH1904/advanced ovarian cancer provide upside to our projections once we have clinical data to which to ascribe value (we have Egrifta/fatty liver disease in HIV-infected individuals, but not yet in non-infected individuals). Our EV incorporates FQ320 cash of US\$26.8M and total debt of \$56.6M. At current levels, our PT corresponds to a one-year return of 35%.

FQ320 revenue sequentially down on a number of one-time items, not just on pandemic challenges: Beginning with topline, consolidated revenue was \$14.0M in the August-end quarter, which declined by 18.6% in the also-pandemically challenged FQ220 at \$17.2M while still soft in contrast to FQ319 revenue of \$16.1M. FQ320 revenue of this magnitude consisted of Egrifta/Trogarzo sales of \$6.9M/\$7.2M respectively. For context, FQ220 Egrifta/Trogarzo sales were \$9.3M/7.9M respectively. Revenue softness observed in the quarter, apart from pandemic challenges, were also due to one-time items including inventory controls at the distributor level and higher rebates and chargebacks than had been anticipated. Additionally, returns for the original Egrifta formulation in exchange for the revised Egrifta SV formulations also had an impact on revenues in the quarter. EBITDA loss of (\$3.2M) and was driven by escalating R&D (was \$4.2M in the quarter) and G&A expenses (was \$2.7M in the quarter) that we assume were driven by preparations for the pending clinical activities, as previously discussed above. EBITDA

substantially reduce liver fat deposition and these data collectively give us confidence that the drug could perform well in future Phase III studies for this indication.

We endorse the move to target a broader patient population and going beyond the firm's HIV niche for this indication. At the same, we would proceed with caution on challenges relating to the broader landscape owing to mixed outcomes by pure play drug developers. In our exhibit of pure-play and pivotal stage NASH developers, we note of at least three near-term attempts to achieve status as the first approved NASH drug developer as recent as this year but with all three attempts essentially futile.

Exhibit 6. Selected Drug Developers With Lead Clinical Assets Targeting Non-Alcoholic Steatohepatitis (NASH)

Company	Asset	Formulation	Status	Commentary
Madrigal	Resmetrom/ MGL-3196	THR- β selective agonist	✓ Phase III	Phase III trials ongoing; data expected by YE2021
Intercept	Obeticholic acid	Obeticholic acid	✓ Phase III	Interim update in Nov/20; CRL issued in Jun/20; rejection for accelerated approval based on uncertain benefit
Viking Therapeutics	VK2809	THR- β selective agonist	✓ Phase II	Phase II trials ongoing; complete enrolment by H121
CymaBay Therapeutics	Seladelpar	PPAR-delta agonist	✗ Phase II	Recent clinical hold lifted in Jul/20 after Phase II NASH trial showed some patients experienced interface hepatitis - firm to shift focus to different indication instead
Genfit	Elafibranor	PPAR α and PPAR δ dual agonist	✗ Terminated	Clinical development terminated after failing a Phase III trial in May/20

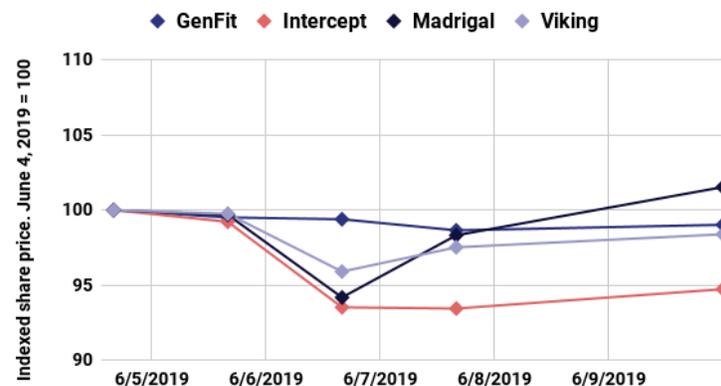
THR- β : Thyroid hormone receptor-beta

Source: Company filings, Leede Jones Gable

Notably, Intercept (ICPT-Q, NR) received a CRL from the FDA for its modified bile acid formulation obeticholic acid on the uncertainty on the benefit related to a surrogate histological endpoint (drug is targeting NASH fibrosis specifically), and with the agency requiring additional data from its still ongoing 2,480-patient Phase III REGENERATE trial (data by 2022).

Exhibit 7. Short-term impact of FDA guidance on shares of publicly listed NASH drug developers

NASH drugmaker stocks before and after FDA guidance drop



Source: Biopharma Dive (2019)

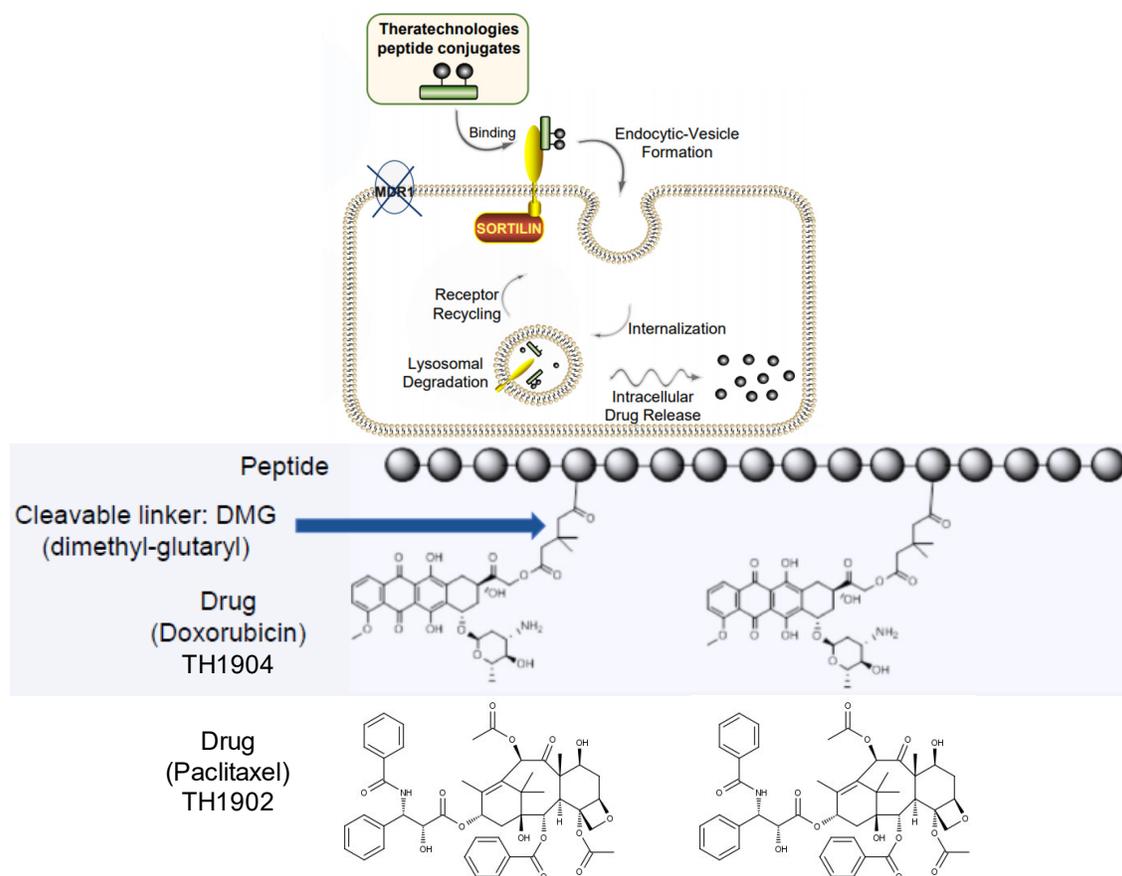
On a related note, the agency was also involved in pushing out stricter draft guidance in 2019 relating drugs targeting NASH with compensated cirrhosis. In summary, the agency noted a preference for outcomes over histological data when contemplating NASH drugs for approval. This also implied the preference to see such drugs be approved under the traditional approval pathway over the accelerated approval owing to the lack of evidence for using histological improvements as a surrogate endpoint. As reported by Biopharma Dive, this did have a momentary effect on share price across leading NASH drug developers then.

Thera's oncology portfolio is based on high-potency cancer drugs linked to sortilin receptor-binding peptides, for which targeted activity is well-documented in preclinical studies: Both of TH's oncology assets TH1902/TH1902 are peptide-drug conjugates

developed on the SORT 1+ Technology platform, and with both assets targeting sortilin receptor positive cancers. There are a number of oncology indications in which sortilin is overexpressed but for now the firm is targeting two indications: triple negative breast cancer (TNBC) with TH1902 and ovarian cancer with TH1904. The two drugs were acquired in 2019 via the firm's acquisition of Katana Biopharma.

Both drugs are targeting challenging medical markets for which options are limited. That said, we have seen some recent advances in genetically defined advanced ovarian cancer forms through approval of AstraZeneca's (AZN-L, NR) PARP (poly-ADP ribose polymerase) inhibitor drug Lynparza and approved analogs that have since followed. Separately, triple-negative breast cancer is almost by definition also refractory to most alternative therapies. Tumours do not overexpress the HER2 receptor or either of the major hormone receptors for estrogen or progesterone, making the disease refractory to HER2-binding agents like Herceptin/trastuzumab or its next-generation variations like Kadcylo-Enhertu-Perjeta, or to drugs that impede estrogen/progesterone pharmacology like tamoxifen or Faslodex/fulvestrant. A few therapies have shown promise in recent clinical studies, including ironically Lynparza and anti-PD-L1 mAb drugs like Roche's (ROG-SW, NR) Tecentriq/atezolizumab.

Exhibit 8. Proposed Mechanism of Selective Tumor Targeting by Theratechnologies' Lead Sortilin Peptide-Conjugated Anti-Cancer Formulations TH1902 and TH1904



Source: Theratechnologies investor presentation (Nov 2019); Taxol prescribing information (Bristol-Myers Squibb)

On TH-1902, Thera most recently provided an update in early December. The new study was an *in vivo* study assessing TH1902 across several cancer types expressing the sortilin receptor. Results indicated that the peptide drug conjugate was able to demonstrate *in vivo* efficacy across colorectal, pancreatic, melanoma and endometrial cancers. Separately, the firm's IND studies also demonstrated that TH1902 could be administered at three times the maximum tolerated dose of docetaxel alone. In all, these are encouraging signs that will still require validation in later stage human clinical trials. We anticipate the firm proceeding formally into a Phase I trial by early 2021, although pending IND submission in FQ420.

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Tender	-	-
Under Review	-	-

Historical Target Price

