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FQ420 Data Meet Expectations, Emphasis Shifts To Pending TH1902/Egrifta Clinical Trials, Shift To HOLD On Valuation

QC-based endocrinology/oncology drug developer Theratechnologies reported FQ420 financial data for the Nov-end quarter that were in line with our expectations on top-line performance of flagship FDA-approved HIV-targeted therapies Egrifta & Trogarzo, with pending clinical activities in oncology with docetaxel-sortilin peptide conjugate TH1902 and in non-alcoholic steatohepatitis with stabilized growth hormone-releasing factor Egrifta still expected to commence this year and to generate create market value through these programs in subsequent quarters.

Egrifta/Trogarzo sales exhibit stability in a pandemically-challenged financial period. So, Thera's headline financial data always begins with top-line performance for Egrifta/Trogarzo, with Egrifta net sales in FQ420 exhibiting 23% y/y growth to US$10.8M from US$8.7M last year and even more dramatic sequential growth from US$6.9M in FQ320, and thus with FQ320 Egrifta revenue softness offset by FQ420 revenue strength. Full-year F2020 sales of US$35.4M were essentially flat as compared to US$35.5M in FQ419.

If we assume that Egrifta sells for about US$38,000-to-US$40,000 per annual course of therapy, as our model does, this corresponds to about 700-to-750 patients on the drug, a level of market penetration that is still modest in comparison to our calculation for HIV lipodystrophy prevalence but with strong stability at this level in recent years. While this level of market penetration is below the 1,000 patient-year threshold that Thera itself was targeting a few years ago, our model assumes that Egrifta revenue stability can continue throughout our forecast period.

Trogarzo experiences encouraging sequential & annual sales growth even with a new competitor in the multidrug-resistant HIV universe receiving nascent approval. Shifting to Trogarzo, Thera's net sales of US$8.4M in FQ420 were up solidly from US$7.7M in FQ419 and from US$7.2M in FQ320 and we are thus encouraged by the cumulative upward quarterly trajectory for this innovative anti-CD4 mAb therapy even if sequential growth is more modest than we originally assumed. Trogarzo was just launched in Germany in early FQ420 and we assume that its sales performance in that market was minimal in its first financial period post-launch. As we described in our last note, Trogarzo is now competing with ViiV Healthcare's fostemsavir formulation Rukobia and we will continue to monitor relative revenue performance of the respective therapies, but we are encouraged that in a quarter during which Rukobia was available in US medical markets (the drug was EMA-approved within the last few weeks, but was FDA-approved in Jul/20) that Trogarzo revenue was strong, at least by its own recent standard.

One competitive multidrug resistant HIV infection therapy has been FDA-approved since Trogarzo was launched, but Trogarzo has distinguishing features that could sustain the revenue growth exhibited in FQ420. Because Trogarzo binds to a human epitope (CD4) on the surface of T-helper cells and not to a viral antigen as Rukobia does (it binds to the HIV surface glycoprotein gp120, which binds to CD4 as its initial mechanism by which to infect T-helper cells), we believe that Trogarzo could retain anti-viral activity against any HIV mutant strains that emerge over time, but that is clearly a prediction and not a certainty and we will watch for comparative efficacy trends for the two agents as their clinical histories evolve.

TH-TSX

Rating:	**Hold (was Spec Buy)**
Target:	**$4.00**
Price:	$3.92
Return:	2.0%
Valuation:	NPV (30% disc. rate), 20x EPS, 12.5x EV/EBITDA (F2024 estimates)

Market Data

Basic Shares O/S (M)	93.7
FD Shares O/S (M)	97.0
Market Cap (basic, C$M)	367.5
Ent Val (basic, C$M)	352.9
Pro forma cash (C$M)	80.1
Pro forma LT debt (C$M)	65.6
52 Week Range	1.93-$4.38
Avg. Daily Volume (M)	0.9925
Fiscal Year End	Nov 30

Milestone Forecasts

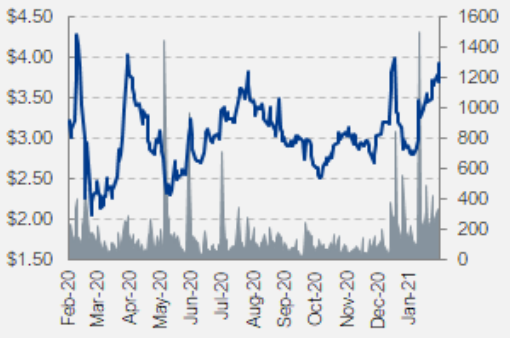
Tesamorelin, IND filing/NASH	Q121
Ibalizumab, IV push clinical data	H121
TH1902, Phase I data (trip-neg BC)	H221
TH1904, Phase I data (ovarian canc)	H221

Financial Metrics

In US$M	2020A	2021E	2022E
Tesamorelin rev, U.S./Cda	35.4	39.8	41.6
Tesamorelin rev, L.Amer	0.0	0.0	0.2
Tesamorelin rev, EU	0.0	0.4	0.9
Ibalizumab, US	30.7	34.0	39.3
Ibalizumab, EU	0.0	2.7	8.2
Milestone rev	0.0	0.0	0.0
Total revenue	66.1	77.0	90.3
EBITDA	(7.0)	0.9	10.2
Net income (fully-taxed)	(22.7)	(14.7)	(5.4)
EPS (basic)	($0.29)	($0.16)	($0.06)
P/E	*NA*	*NA*	*NA*
EV/EBITDA	*NA*	*391.8x*	*34.6x*

Company Description

Theratechnologies is a QC-based endocrinology drug developer, with FDA-approved HIV lipodystrophy drug Egrifta 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. Egfifta testing in NASH & TH1902 Phase I cancer testing are pending



Source: Refinitiv

Exhibit 1. Financial Summary for Theratechnologies

Year-end November 30 *(US$000, ex per shr data)* [1]	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Tesamorelin revenue, US/Cda	$35,520	$35,399	$39,810	$41,645	$43,519	$45,432	$47,384	$49,374	$51,404
Tesamorelin revenue, RoW	$0	$0	$449	$1,130	$1,369	$1,615	$1,649	$1,683	$1,716
Ibalizumab gross revenue, US	$27,696	$30,654	$34,046	$39,298	$49,614	$60,132	$70,856	$81,788	$92,932
Ibalizumab gross revenue, EU	$0	$0	$2,713	$8,222	$13,840	$22,365	$31,519	$38,202	$45,014
Milestone revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total revenue	**$63,216**	**$66,053**	**$77,018**	**$90,295**	**$108,342**	**$129,545**	**$151,409**	**$171,047**	**$191,066**
Less: Egrifta direct costs	$21,125	$20,970	$24,646	$28,894	$34,669	$41,455	$48,451	$54,735	$61,141
Gross profit	**$42,091**	**$45,083**	**$52,372**	**$61,401**	**$73,673**	**$88,091**	**$102,958**	**$116,312**	**$129,925**
Gross margin (%)	*67%*	*68%*	*68%*	*68%*	*68%*	*68%*	*68%*	*68%*	*68%*
R&D expenses	$10,841	$18,019	$17,118	$16,262	$15,449	$10,042	$7,531	$5,649	$4,236
Operating expenses	$26,230	$29,142	$29,503	$30,093	$30,727	$30,957	$31,909	$32,248	$32,224
EBITDA	**$136**	**($6,959)**	**$901**	**$10,195**	**$22,647**	**$42,242**	**$58,668**	**$73,565**	**$88,614**
EBITDA margin	*0%*	*NA*	*1%*	*11%*	*21%*	*33%*	*39%*	*43%*	*46%*
Revenue growth (%)	*(24%)*	*(0%)*	*12%*	*5%*	*5%*	*5%*	*4%*	*4%*	*4%*
Net income (loss)	($12,496)	($22,651)	($14,651)	($5,356)	$7,095	$26,691	$43,116	$58,014	$73,063
Net income (loss), fully-taxed	($12,496)	($22,667)	($14,651)	($5,356)	$4,896	$18,416	$29,750	$40,030	$50,414
EPS (basic)	**($0.16)**	**($0.29)**	**($0.16)**	**($0.06)**	**$0.08**	**$0.28**	**$0.46**	**$0.62**	**$0.78**
EPS (basic, fully-taxed)	($0.16)	($0.29)	($0.16)	($0.06)	$0.05	$0.20	$0.32	$0.43	$0.54
EV/EBITDA	*2,132.0x*	*NA*	*321.9x*	*28.4x*	*12.8x*	*6.9x*	*4.9x*	*3.9x*	*3.3x*
P/E	*NA*	*NA*	*NA*	*NA*	*51.8x*	*13.8x*	*8.5x*	*6.3x*	*5.0x*

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

But since Trogarzo is IV-administered in infusion centers and Rukobia is administered as a twice-daily orally active antiretroviral drug, the two therapies may end up targeting distinct patient populations in the overall multidrug-resistant HIV population on that basis alone. Both drugs performed well in pivotal Phase III multidrug HIV infection studies, both of which are already published and with literature commentary generally positive in our view on both agents in review articles that were published thereafter. WA-based peer firm CytoDyn (CYDY-Q, NR) continues to develop its CCR5-targeted mAb drug PRO140/leronlimab but with seemingly more intense focus in COVID-19 and cancer indications in ongoing clinical studies.

Exhibit 2. Valuation Summary for Theratechnologies

NPV, discount rate	10%	20%	30%	40%	50%	60%
Implied value per share	$12.80	$6.05	**$3.11**	$1.95	$1.28	$0.91

Discounted Share Price end-of-F2021

Price/earnings multiple, F2024	P/E	10%	20%	30%	40%	50%	60%
Implied share price[1]	10	$3.09	$2.18	$1.58	$1.18	$0.89	$0.69
	20	$6.18	$4.36	**$3.37**	$2.36	$1.78	$1.38
	30	$9.27	$6.54	$4.74	$3.54	$2.67	$2.07

EV/EBITDA multiple, F2024	5.0x	10.0x	12.5x	15.0x	17.5x	20.0x
Implied share price[1,2,3]	$1.36	$2.65	**$3.29**	$3.94	$4.58	$5.23

One-year Theratechnologies target price (US$)	$3.26
One-year Theratechnologies target price (C$)	$4.08

[1] *Based on F2024 basic EPS forecast of US$0.28; EBITDA of US$42.2M; shares outstanding (basic) 93.7M; 30% discount rate in all methods*

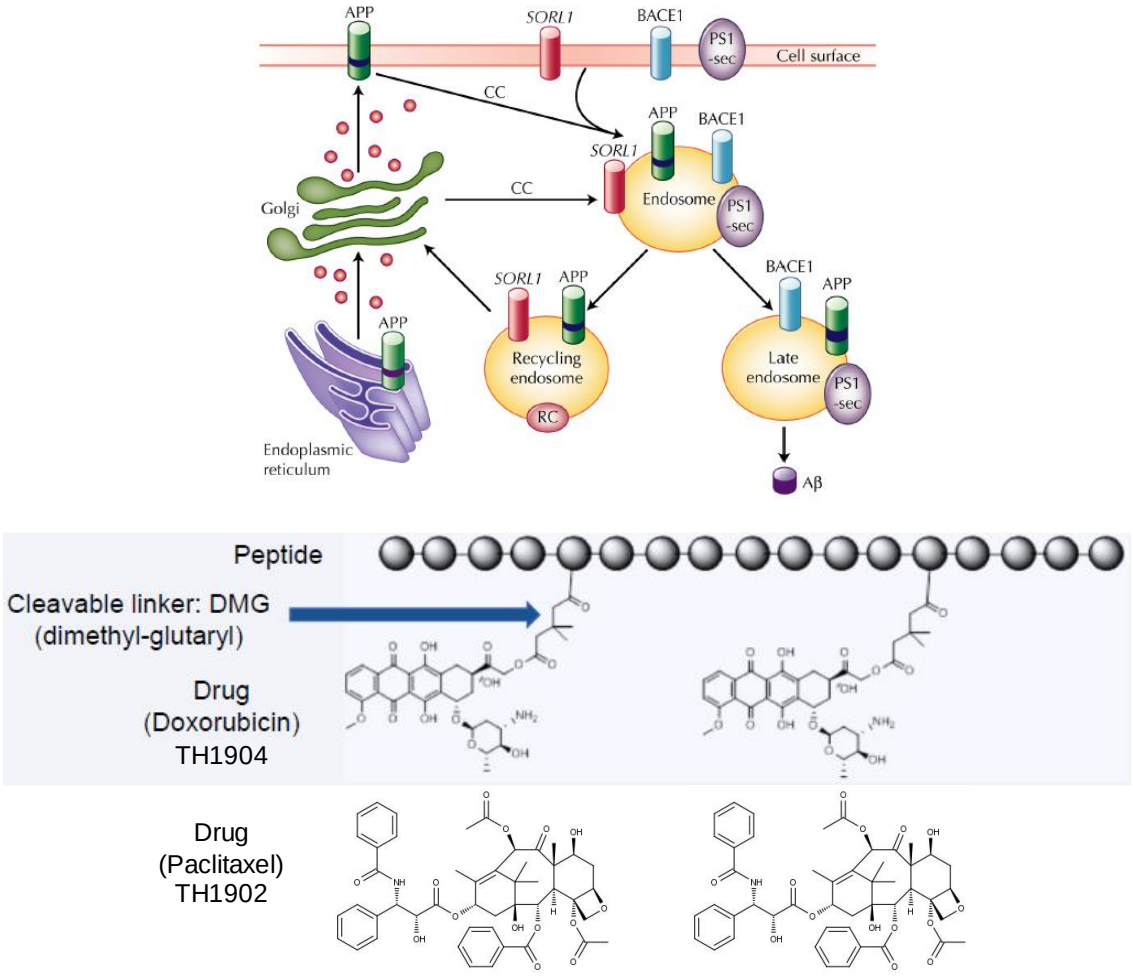
[2,3] *EV incorporates pro forma cash of US$64.0M (FQ420 cash of US$20.8M, plus US$46.0M in new equity capital, less assumed financing costs), FQ420 LT debt of US$52.4M*

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

We were interested to see a recent pharmacoeconomic study on Trogarzo, published by RTI Health Solutions and Georgetown University researchers in the appropriately-named journal *Pharmacoeconomics*, that reflected favorably on the drug's cost-benefit balance in comparison to optimal antiretroviral background therapy, with an incremental cost-effectiveness ratio of $133,040 per quality-of-life year gained. We have long believed that Trogarzo's IV formulation, requirement for infusion centers to administer effective dosages, and premium price in comparison to other small-molecule antiretrovirals to which patients have become resistant, could be barriers to its commercial adoption, but this is clearly offset by analyses like this and by the quality of Phase III data that originally supported its FDA approval.

Gross margin exhibits solid sequential improvement, if not quite to the level that Egrifta itself was generating in prior years. Consolidated FQ420 gross margin of 72.9% was up from 67.1% in FQ320 and from 64.9% in FQ419, and we are thus encouraged also by gross margin trends on Thera's core Egrifta/Trogarzo-based Rx operations and thus by the ability of those operations to generate positive free cash flow down the road if net sales can scale upward while holding other operating expenses stable. R&D expense of US$6.8M was up sequentially from US$4.2M in FQ320 and this is not a surprise since the firm is actively preparing for pending Phase I solid tumor testing for TH1902 and Phase III NASH testing for Egrifta. Our model assumes that R&D expense should be stable at this level in coming quarters, with a near-term bias toward Phase I oncology activities that are poised to commence during CQ221. Phase III NASH/Egrifta testing is still expected to commence during CQ321.

Exhibit 3. Proposed Mechanism of Action For TH1902/TH1904, Exploiting Sortilin As a Docking Protein For Targeting Tumors Over-Expressing Sortilin's Biological Receptor, As Many Solid Tumors Do



Source: Theratechnologies investor presentation (Nov 2019); Taxol prescribing information (Bristol-Myers Squibb); *Current Neurology & Neurosciences Report (2008), Vol. 8, pp. 384-391.*

EBITDA margin for Thera's core commercial HIV franchise with Egrifta/Trogarzo is relatively strong, at least on a notional R&D-less basis. Shifting to EBITDA, the firm generated an EBITDA loss in FQ420 of (US$1.4M), consistent with our expectations, and a full-year F2020 EBITDA loss of (US$7.0M), with accelerating R&D expense for pending Phase I oncology and Phase III NASH testing obscuring what would otherwise be solid EBITDA generation just from Egrifta/Trogarzo commercial activities. There is no obligation for Thera to fund any new clinical activities in support of Egrifta/Trogarzo's regulatory approvals (as was the case for Egrifta a few years ago, for which Thera was funding longitudinal studies to assess risk of diabetic retinopathy or cancer development until F2018), so as a notional exercise, we believe it is reasonable to at least conceptualize what its EBITDA would be in the absence of R&D activities unrelated to core operations. In so doing, we see that 'R&D-less' EBITDA last year was US$11.0M/17%, identical to US$11.0M/17% in F2019. EBITDA margin at that level is solid in absolute terms, if modest by specialty pharmaceutical standards, and thus provide offsetting cash flow for the firm to partially fund new clinical initiatives just described.

Exhibit 4. Revenue Projections for Theratechnologies – Egrifta/Tesamorelin

Fiscal year-end November 30									
(US$000, unless otherwise stated)	*2019A*	*2020A*	*2021E*	*2022E*	*2023E*	*2024E*	*2025E*	*2026E*	*2027E*
Revenue projections, U.S./Canada									
AIDS prevalence (U.S./Canada)	1,360,000	1,384,000	1,408,000	1,432,000	1,456,000	1,480,000	1,504,000	1,528,000	1,552,000
Proportion of patients with HIV lipodystrophy	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*
Price per treatment per month (in US$)	$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 (%)	*0.32%*	*0.32%*	*0.35%*	*0.36%*	*0.37%*	*0.38%*	*0.39%*	*0.40%*	*0.41%*
Tesamorelin annual revenue, U.S./Canada (US$000)	$35,520	$35,399	$39,810	$41,645	$43,519	$45,432	$47,384	$49,374	$51,404
Implied number of patients treated per year	*714*	*711*	*800*	*837*	*874*	*913*	*952*	*992*	*1,033*
Revenue projections, Latin America (principally Brazil, Mexico)									
AIDS prevalence (Brazil, Mexico)	1,218,000	1,242,000	1,266,000	1,290,000	1,314,000	1,338,000	1,362,000	1,386,000	1,410,000
Proportion of patients with HIV lipodystrophy	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*
Price per treatment per month (US$)	$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 (%)	*0.00%*	*0.00%*	*0.01%*	*0.02%*	*0.02%*	*0.02%*	*0.02%*	*0.02%*	*0.02%*
Tesamorelin annual revenue, Europe (US$000)	$0	$0	$449	$920	$942	$964	$986	$1,008	$1,030
Implied number of patients treated per year	*0*	*0*	*28*	*58*	*59*	*60*	*62*	*63*	*64*
Total US gross revenue (non-royalty) (US$000)	$35,520	$35,399	$39,810	$41,645	$43,519	$45,432	$47,384	$49,374	$51,404
Total RoW tesamorelin royalty revenue (US$000)	$0	$0	$449	$1,130	$1,369	$1,615	$1,649	$1,683	$1,716
Total Egrifta product revenue (US$000)	**$35,520**	**$35,399**	**$40,259**	**$42,775**	**$44,888**	**$47,048**	**$49,033**	**$51,057**	**$53,120**

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

Egrifta/Trogarzo sales growth is still a key valuation metric in our model, but much of Thera's business activity will be focused on Egrifta/TH1902 clinical activities poised to commence this year. As stated, we expect Thera to commence Phase I TH1902 solid tumor testing next quarter, and this program now enjoys Fast Track Status from the US FDA as we described in our last note. We still expect the 65-patient Phase I trial to test TH1902 safety/efficacy in at least four solid tumor categories – triple-negative breast cancer (TNBC), colorectal cancer, pancreatic cancer, and gynecologic cancers (mainly ovarian and endometrial cancer) – just to more fully explore the possibility that other SORT1 receptor-over-expressing tumor forms could be as responsive to TH1902 therapy as we expect TNBC to be. We still expect TH1902 to be administered as monotherapy in the Phase I trial, which it most certainly not be if eventually tested in more comprehensive Phase II/III studies, but a monotherapy study is

necessary to accurately access the drug's single-agent anticancer activity and safety profile. We still assume that the trial could conclude by CQ222, but that timeline would of course depend on pace of patient enrollment by Thera's CRO PPD (PPD-Q, NR). We believe that assuming completion of the trial by this point is aggressive, but it seems reasonable to assume that interim six-week CT imaging-confirmed tumor response (RECIST) data from initially-enrolled subjects could be available by then.

And we still assume that Thera will fund a five-year 2,000-patient Phase III Egrifta fatty liver disease study, starting in CQ321 as stated above, but with an interim 18-month analysis of liver biopsy data from the first 900 patients enrolled giving us early insights into how well Egrifta performs in this indication, perhaps by CH124 if patient enrollment advances well this year. There is certainly abundant evidence that Egrifta works well to reduce liver fat deposition in HIV-infected individuals and this work has been published by Massachusetts General Hospital collaborators in at least two peer reviewed studies, one in 2014 in JAMA and the other in 2020 in the journal Lancet HIV. We believe that Thera's decision to expand its target patient population to include non-HIV-infected individuals is a tolerable risk, based on our expectations that growth hormone-releasing factor physiology functions similarly in both infected and non-infected populations.

Exhibit 5. Revenue Projections for Theratechnologies – Trogarzo/Ibalizumab

Fiscal year-end November 30 *(US$000, unless otherwise stated)*	*2019A*	*2020A*	*2021E*	*2022E*	*2023E*	*2024E*	*2025E*	*2026E*	*2027E*
Ibalizumab, US									
Total multidrug-resistant HIV population, US	25,867	26,126	26,387	26,651	26,917	27,187	27,458	27,733	28,010
Proportion amenable to ibalizumab therapy	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*
Total prevalence, addressable MDR HIV market, US	10,347	10,450	10,555	10,660	10,767	10,875	10,983	11,093	11,204
Price per treatment per month (US$)	$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 (%)	*5.8%*	*6.4%*	*7.0%*	*8.0%*	*10.0%*	*12.0%*	*14.0%*	*16.0%*	*18.0%*
Ibalizumab gross sales, US (US$000)	$57,700	$63,863	$70,928	$81,872	$103,363	$125,276	$147,617	$170,392	$193,608
Implied number of patients treated per year	*601*	*665*	*739*	*853*	*1,077*	*1,305*	*1,538*	*1,775*	*2,017*
Less: Ibalizumab transfer price paid to TaiMed (48% of gross sales; US$000)	($30,004)	($33,209)	($36,883)	($42,573)	($53,749)	($65,143)	($76,761)	($88,604)	($100,676)
Ibaluzumab net sales, US (US$000)	$27,696	$30,654	$34,046	$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 market, EU	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%*	*0.0%*	*0.5%*	*1.5%*	*2.5%*	*4.0%*	*5.0%*	*6.0%*	*7.0%*
Ibalizumab gross sales, EU (€000)	€ 0	€ 0	€ 5,187	€ 15,717	€ 26,457	€ 42,754	€ 53,977	€ 65,420	€ 77,087
Ibalizumab gross sales, EU (US$000)	$0	$0	$6,310	$19,120	$32,186	$52,012	$65,665	$79,587	$93,779
Implied number of patients treated per year	*0*	*0*	*79*	*240*	*404*	*653*	*825*	*1,000*	*1,178*
Less: Ibalizumab transfer price paid to TaiMed (48% of	€ 0	€ 0	-€ 2,957	-€ 8,959	-€ 15,080	-€ 24,370	-€ 28,068	-€ 34,018	-€ 40,085
Ibaluzumab net sales, EU (€000)	€ 0	€ 0	€ 2,230	€ 6,758	€ 11,376	€ 18,384	€ 25,909	€ 31,402	€ 37,002
Ibalizumab net sales, EU (US$000)	$0	$0	$2,713	$8,222	$13,840	$22,365	$31,519	$38,202	$45,014
Ibalizumab gross sales, US/EU (US$000)	**$57,700**	**$63,863**	**$76,115**	**$97,588**	**$129,820**	**$168,030**	**$201,594**	**$235,812**	**$270,695**
Ibalizumab net sales to Thera, US/EU (US$000)	**$27,696**	**$30,654**	**$36,759**	**$47,520**	**$63,454**	**$82,498**	**$102,375**	**$119,990**	**$137,946**
Total product gross sales, US/EU (US$000)	**$93,220**	**$99,262**	**$116,374**	**$140,363**	**$174,708**	**$215,078**	**$250,627**	**$286,869**	**$323,815**
Total product net sales, US/EU (US$000)	**$63,216**	**$66,053**	**$77,018**	**$90,295**	**$108,342**	**$129,545**	**$151,409**	**$171,047**	**$191,066**
EBITDA (US$000)	**$136**	**($6,959)**	**$901**	**$10,195**	**$22,647**	**$42,242**	**$58,668**	**$73,565**	**$88,614**
Net income (loss, fully-taxed, US$000)	($12,496)	($22,667)	($14,651)	($5,356)	$4,896	$18,416	$29,750	$40,030	$50,414
EPS (basic, US$)	**($0.16)**	**($0.29)**	**($0.16)**	**($0.06)**	**$0.08**	**$0.28**	**$0.46**	**$0.62**	**$0.78**
Basic shares outstanding (000)	*76,953*	*77,013*	*93,741*	*93,741*	*93,741*	*93,741*	*93,741*	*93,741*	*93,741*
Fully-diluted shares outstanding (000)	*79,369*	*80,257*	*96,985*	*96,985*	*96,985*	*96,985*	*96,985*	*96,985*	*96,985*
Average annual USD:CDN exchange rate	*1.3000x*	*1.3000x*	*1.3000x*	*1.3000x*	*1.3000x*	*1.3000x*	*1.3000x*	*1.3000x*	*1.3000x*
Average annual EUR:USD exchange rate	*1.2165x*	*1.2165x*	*1.2165x*	*1.2165x*	*1.2165x*	*1.2165x*	*1.2165x*	*1.2165x*	*1.2165x*

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

Summary & valuation. We are **maintaining our $4.00 PT on TH**, along with maintaining our positive view on the medical prospects of Egrifta/Trogarzo in their respective HIV infection markets (lipodystrophy/visceral adipose tissue reduction and multidrug-resistant disease) and an equally positive view on oncology prospects for the firm's sortilin/sortilin receptor coupling platform

acquired through the Katana Biopharma acquisition back in CQ119. But with current share value at near our one-year PT for the stock, **we are shifting our rating to a HOLD** solely as a valuation call and we look forward to revisiting our rating as the firm achieves commercial milestones for Egrifta/Trogarzo in their respective North American/European markets and/or clinical milestones on pending trials in cancer (TH1902) or NASH (Egrifta) as indicated above.

As we described in our prior note, our model does not currently ascribe overt value to the firm's pending clinical activities in oncology/TH1902 and NASH/Egrifta, but we believe that both programs could generate substantial value for Thera once efficacy data (tumor response rate for TH1902, impact on liver fat and stabilization of liver fibrosis for Egrifta) are available, possibly as early as FH222 for TH1902. We are adjusting our EBITDA projections throughout our forecast period to cater to the likelihood that operating expenses (in R&D and sales/marketing, specifically) will remain at/near F2020 level (we had previously projected a gradual reduction in both in future years), as we show in Exhibit 1. But in parallel, we are rolling forward the financial periods incorporated into our NPV determination to now exclude F2020 losses, with offsetting impact on our valuation and model.

In summary, we continue to value TH based on NPV (30% discount rate as indicated) and multiples of our F2024 EBITDA/EPS forecasts (now US$42.2M/US$0.28) and in so doing, we derive a one-year PT for TH of US$3.26/C$4.08, unchanged from our last update. Though our rating has been revised to a HOLD, we emphasize that we do have a positive view on how well TH1902 and Egrifta could perform in pending clinical studies based on published clinical data for Egrifta and on preclinical data already reported by Thera/Katana for its sortilin-based targeted therapies, not limited to docetaxel-conjugated TH1902. Accordingly, there is clear potential for value creation in F2021/22 based on TH1902/Egrifta clinical milestones independent of Egrifta/Trogarzo commercial operations that form the basis for our current financial projections. Our $4.00 PT corresponds to a one-year return of 2%.

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Speculative Buy	7	46.7%
Hold	2	13.3%
Sell	-	-
Tender	-	-
Under Review	-	-

Historical Target Price