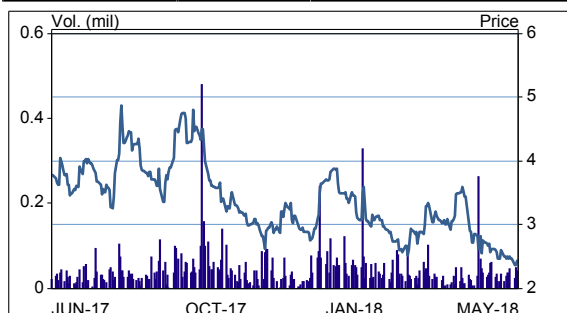


AzurRx BioPharma, Inc. (AZRX)
Rating: Buy

 Raghuram Selvaraju, Ph.D.
 212-916-3966
rselvaraju@hcxresearch.com
 Yi Chen, Ph.D. CFA
 212-916-3971
ychen@hcxresearch.com
Experienced Chief Medical Officer Appointed; Reiterate Buy

Stock Data		05/31/2018	
Price		\$2.43	
Exchange		NASDAQ	
Price Target		\$6.00	
52-Week High		\$5.25	
52-Week Low		\$2.25	
Enterprise Value (M)		\$30.8	
Market Cap (M)		\$41	
Public Market Float (M)		5.7	
Shares Outstanding (M)		16.8	
3 Month Avg Volume		34,202	
Short Interest (M)		0.02	
Balance Sheet Metrics			
Cash (M)		\$10.0	
Total Debt (M)		\$0.1	
Total Cash/Share		\$0.60	
Book Value/Share		\$0.14	
EPS Diluted			
Full Year - Dec	2017A	2018E	2019E
1Q	(0.29)	(0.29)A	(0.21)
2Q	(0.27)	(0.24)	(0.20)
3Q	(0.28)	(0.21)	(0.20)
4Q	(0.21)	(0.21)	(0.19)
FY	(1.04)	(0.93)	(0.79)



Dr. James Pennington is appointed as CMO. Earlier this week, AzurRx BioPharma announced that the appointment of Dr. James Pennington as the company's Chief Medical Officer (CMO). Before joining AzurRx, Dr. Pennington was Executive Vice President and Chief Medical Officer, and later Senior Clinical Fellow, at Anthera Pharmaceuticals (ANTH; Buy) during the period of 2007-2018. Dr. Pennington has extensive medical experience and was directly involved in the development of Sollpura for the treatment of exocrine pancreatic insufficiency (EPI). In our view, the fact that Dr. Pennington agreed to join AzurRx provides incremental validation to MS1819, the company's candidate being developed for EPI associated with chronic pancreatitis (CP) and cystic fibrosis (CF). AzurRx's management reiterated that an investigational drug application (IND) in the U.S. for MS1819 is slated to be filed in 2H 2018 and a Phase 2 study in CF patients should commence later this year. We believe Dr. Pennington's past experience in clinical development in EPI and regulatory affairs would bring significant contribution to AzurRx's upcoming proof-of-concept trial. In the wake of this update, we reiterate our Buy rating and \$6 price target.

MS1819 showed over 21% improvement in coefficient of fat absorption. AzurRx previously reported positive results from the first nine subjects in the ongoing Phase 2a trial of MS1819 for the treatment of exocrine pancreatic insufficiency (EPI) associated with chronic pancreatitis (CP). Data showed that the highest MS1819 dose cohort continued to show over 21% improvement in coefficient of fat absorption (CFA) in evaluable patients. Higher CFA responses were observed in subjects with lower baseline CFA, with the maximal absolute CFA response being 57%. Bristol stool scale, number of daily evacuations and weight of stool showed favorable trends. Of note, no serious adverse events or notable mild-to-moderate events have been reported. Patients' plasma albumen were unchanged with treatment, and fecal nitrogen assessments and nitrogen output showed favorable trends as well. In our view, these data confirmed the clinical activity and dose response previously observed, and bode well for the top-line data readout in 2H 2018. We note that this Phase 2a trial, conducted in Australia and New Zealand, is on track to complete enrollment of 12-15 CP patients in the current quarter. Following this study, a Phase 2 trial in cystic fibrosis (CF) patients could be initiated in 2H 2018. MS1819 aims to compensate the pancreatic lipase deficiency in patients with EPI, and has the potential to significantly lower patients' pill burden compared to the standard of care—porcine-derived pancreatic enzymes.

Valuation and risks. Our price target is derived from a discounted cash flow-based asset value of \$115M for MS1819, using a 15% discount rate and 2% terminal growth rate, with 40% probability of success. Investment risks include: (1) failure of MS1819 in clinical trials; (2) failure of MS1819 to secure regulatory approval; (3) failure of MS1819 to achieve commercial success due to reimbursement, penetration rate, and/or competition; and (4) dilution risk.

H.C. Wainwright 1868

Table 1: AzurRx BioPharma, Inc. (AZRX)—Historical Income Statements, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2016A	2017A				2017A	2018E				2018E	2019E
		1QA	2QA	3QA	4QA		1QA	2QE	3QE	4QE		
Revenue												
Product revenue	-					-					-	-
Other revenue	-					-					-	-
Total revenue	-	-	-	-	-	-	-	-	-	-	-	-
Expenses												
Cost of goods sold	-					-					-	-
Research and development	2,496	534	743	967	151	2,395	1,678	1,500	1,500	1,500	6,178	6,800
General and administrative	4,129	2,174	1,381	2,009	2,121	7,686	1,916	2,000	2,000	2,000	7,916	8,000
Fair value adjustment, contingent consideration	(300)	100	260	(250)	30	140	(10)				(10)	-
Total expenses	6,325	2,808	2,384	2,726	2,302	10,221	3,584	3,500	3,500	3,500	14,084	14,800
Gain (loss) from operations	(6,325)	(2,808)	(2,384)	(2,726)	(2,302)	(10,221)	(3,584)	(3,500)	(3,500)	(3,500)	(14,084)	(14,800)
Other income/expense												
Interest expense	(5,937)	(1)	(287)	(408)	(179)	(875)	(49)				(49)	-
Fair value adjustment, warrants	(2,329)	-				-					-	-
Other income	-					-					-	-
Total investment income and other	(8,267)	(1)	(287)	(408)	(179)	(875)	(49)	-	-	-	(49)	-
Income (loss) before provision for income taxes	(14,592)	(2,809)	(2,672)	(3,134)	(2,481)	(11,096)	(3,633)	(3,500)	(3,500)	(3,500)	(14,133)	(14,800)
Provision for income taxes	-					-					-	-
Net income (loss)	(14,592)	(2,809)	(2,672)	(3,134)	(2,481)	(11,096)	(3,633)	(3,500)	(3,500)	(3,500)	(14,133)	(14,800)
Net income (loss) per share (basic)	(2.24)	(0.29)	(0.27)	(0.28)	(0.21)	(1.04)	(0.29)	(0.24)	(0.21)	(0.21)	(0.93)	(0.79)
Net income (loss) per share (diluted)	(2.24)	(0.29)	(0.27)	(0.28)	(0.21)	(1.04)	(0.29)	(0.24)	(0.21)	(0.21)	(0.93)	(0.79)
Weighted average number of shares outstanding (basic)	6,505	9,631	10,065	11,243	11,732	10,629	12,447	14,687	16,777	16,787	15,175	18,750
Weighted average number of shares outstanding (diluted)	6,505	9,631	10,065	11,243	11,732	10,629	12,447	14,687	16,777	16,787	15,175	18,750

Source: Company reports and H.C. Wainwright & Co. estimates.

Table 2: AzurRx BioPharma, Inc. (AZRX)—Historical Balance Sheets, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2017A						2018E				12/31/18E	12/31/19E
	12/31/16A	3/31A	6/30A	9/30A	12/31A	12/31/17A	3/31A	6/30E	9/30E	12/31E		
Assets												
Current assets:												
Cash	1,774	532	3,829	2,946	573	573	574	7,016	3,734	452	452	8,594
Marketable securities	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	961	1,011	979	174	1,104	1,104	1,015	1,015	1,015	1,015	1,015	1,015
Prepaid expenses	229	207	223	65	275	275	216	216	216	216	216	216
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	2,964	1,750	5,031	3,185	1,953	1,953	1,806	8,248	4,966	1,684	1,684	9,826
Property, equipment, and leasehold improvements, net	152	141	150	148	134	134	149	149	149	149	149	149
In process research & development, net	302	299	310	310	308	308	307	307	307	307	307	307
License agreements, net	1,534	1,402	1,326	1,190	1,038	1,038	884	716	548	380	380	(292)
Goodwill	1,768	1,797	1,917	1,973	2,016	2,016	2,071	2,071	2,071	2,071	2,071	2,071
Deposits	35	35	30	31	31	31	31	31	31	31	31	31
Total Assets	6,754	5,424	8,764	6,836	5,480	5,480	5,248	11,522	8,072	4,622	4,622	12,092
Liabilities and shareholder equity												
Current liabilities												
Accounts payable and accrued expenses	1,471	1,697	1,023	1,533	1,187	1,187	1,797	1,797	1,797	1,797	1,797	1,797
Accounts payable and accrued expenses - related party	707	871	858	854	868	868	699	699	699	699	699	699
Notes payable	155	78	26	-	159	159	80	80	80	80	80	80
Convertible promissory notes	-	-	-	-	-	-	-	-	-	-	-	-
Convertible debt	-	-	645	336	257	257	235	235	235	235	235	235
Warrant liability	-	-	-	-	-	-	-	-	-	-	-	-
Interest payable	7	7	7	7	7	7	7	7	7	7	7	7
Total current liabilities	2,341	2,653	2,560	2,731	2,479	2,479	2,819	2,819	2,819	2,819	2,819	2,819
Contingent consideration	1,200	1,300	1,560	1,310	1,340	1,340	1,330	1,330	1,330	1,330	1,330	1,330
Total Liabilities	3,541	3,953	4,120	4,041	3,819	3,819	4,149	4,149	4,149	4,149	4,149	4,149
Shareholder's equity												
Convertible preferred stock	-	-	-	-	-	-	-	-	-	-	-	-
Common stock	1	1	1	1	1	1	1	2	2	2	2	2
Additional paid-in capital	27,561	28,567	34,182	35,319	37,670	37,670	39,563	49,287	49,287	49,287	49,287	70,907
Subscriptions receivable	-	-	-	-	(1,071)	(1,071)	-	-	-	-	-	-
Accumulated deficit	(22,887)	(25,696)	(28,368)	(31,502)	(33,983)	(33,983)	(37,616)	(41,066)	(44,516)	(47,966)	(47,966)	(62,116)
Accumulated other comprehensive loss	(1,462)	(1,400)	(1,170)	(1,023)	(956)	(956)	(850)	(850)	(850)	(850)	(850)	(850)
Total shareholder's equity	3,213	1,471	4,645	2,795	1,661	1,661	1,098	7,372	3,922	472	472	7,942
Total liability and shareholder's equity	6,754	5,424	8,764	6,836	5,480	5,480	5,248	11,522	8,072	4,622	4,622	12,092

Source: Company reports and H.C. Wainwright & Co. estimates.

Important Disclaimers

This material is confidential and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). It may also be privileged or otherwise protected by work product immunity or other legal rules. If you have received it by mistake, please let us know by e-mail reply to unsubscribe@hcwresearch.com and delete it from your system; you may not copy this message or disclose its contents to anyone. The integrity and security of this message cannot be guaranteed on the Internet.

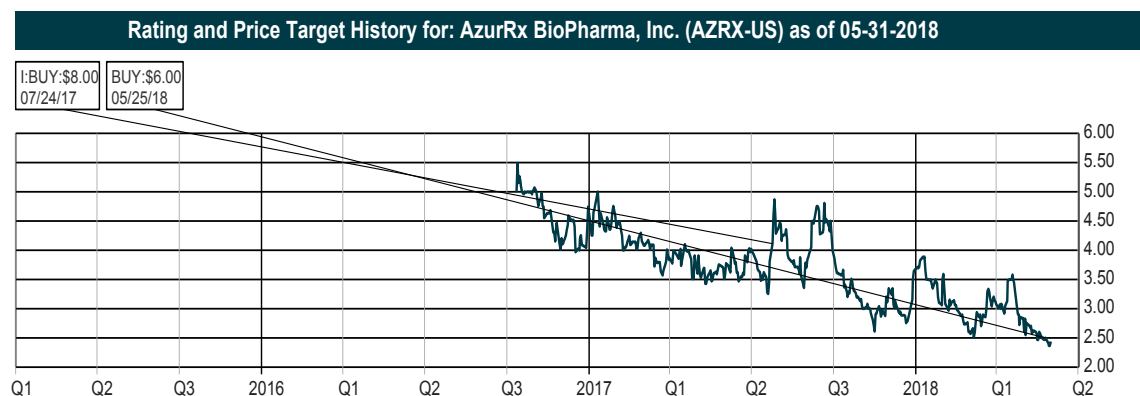
H.C. WAINWRIGHT & CO, LLC RATING SYSTEM: H.C. Wainwright employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector. The price objective is calculated to estimate the potential movements in price that a given equity could reach provided certain targets are met over a defined time horizon. Price objectives are subject to external factors including industry events and market volatility.

RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.



Related Companies Mentioned in this Report as of May/31/2018

Company	Ticker	H.C. Wainwright Rating	12 Month Price Target	Price	Market Cap
Anthera Pharmaceuticals, Inc.	ANTH	Buy	\$3.00	\$0.24	\$6

Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

Distribution of Ratings Table as of May 31, 2018				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	270	93.43%	101	37.41%
Neutral	14	4.84%	3	21.43%
Sell	0	0.00%	0	0.00%
Under Review	5	1.73%	1	20.00%
Total	289	100%	105	36.33%

H.C. Wainwright & Co, LLC (the "Firm") is a member of FINRA and SIPC and a registered U.S. Broker-Dealer.

I, Raghuram Selvaraju, Ph.D. and Yi Chen, Ph.D. CFA , certify that 1) all of the views expressed in this report accurately reflect my personal views about any and all subject securities or issuers discussed; and 2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report; and 3) neither myself nor any members of my household is an officer, director or advisory board member of these companies.

None of the research analysts or the research analyst's household has a financial interest in the securities of AzurRx BioPharma, Inc. and Anthera Pharmaceuticals, Inc. (including, without limitation, any option, right, warrant, future, long or short position).

As of April 30, 2018 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of AzurRx BioPharma, Inc. and Anthera Pharmaceuticals, Inc..

Neither the research analyst nor the Firm has any material conflict of interest in of which the research analyst knows or has reason to know at the time of publication of this research report.

The research analyst principally responsible for preparation of the report does not receive compensation that is based upon any specific investment banking services or transaction but is compensated based on factors including total revenue and profitability of the Firm, a substantial portion of which is derived from investment banking services.

The Firm or its affiliates did not receive compensation from AzurRx BioPharma, Inc. for investment banking services within twelve months before, but will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.

The Firm or its affiliates did receive compensation from Anthera Pharmaceuticals, Inc. for investment banking services within twelve months before, and will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.

H.C. Wainwright & Co., LLC managed or co-managed a public offering of securities for Anthera Pharmaceuticals, Inc. during the past 12 months.

The Firm does not make a market in AzurRx BioPharma, Inc. and Anthera Pharmaceuticals, Inc. as of the date of this research report.

The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data on the company, industry or security discussed in the report. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Past performance is no guarantee of future results. This report is offered for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. No part of this report may be reproduced in any form without the expressed permission of H.C. Wainwright & Co, LLC. Additional information available upon request.