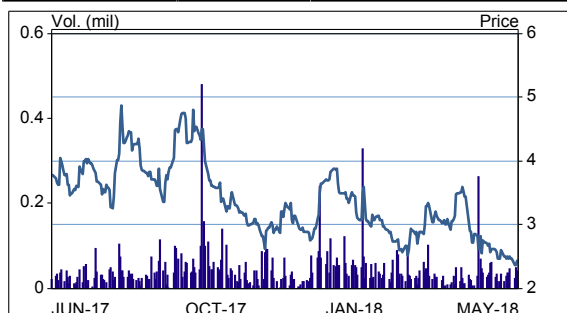


**AzurRx BioPharma, Inc. (AZRX)**  
**Rating: Buy**

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**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.

**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		
<b>Revenue</b>												
Product revenue	-					-					-	-
Other revenue	-					-					-	-
<b>Total revenue</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Expenses</b>												
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)	-
<b>Total expenses</b>	6,325	2,808	2,384	2,726	2,302	10,221	3,584	3,500	3,500	3,500	14,084	14,800
<b>Gain (loss) from operations</b>	(6,325)	(2,808)	(2,384)	(2,726)	(2,302)	(10,221)	(3,584)	(3,500)	(3,500)	(3,500)	(14,084)	(14,800)
<b>Other income/expense</b>												
Interest expense	(5,937)	(1)	(287)	(408)	(179)	(875)	(49)				(49)	-
Fair value adjustment, warrants	(2,329)	-				-					-	-
Other income	-					-					-	-
<b>Total investment income and other</b>	(8,267)	(1)	(287)	(408)	(179)	(875)	(49)	-	-	-	(49)	-
<b>Income (loss) before provision for income taxes</b>	(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	-					-					-	-
<b>Net income (loss)</b>	(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 &amp; 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		
<b>Assets</b>												
<b>Current assets:</b>												
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	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	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
<b>Total Assets</b>	6,754	5,424	8,764	6,836	5,480	5,480	5,248	11,522	8,072	4,622	4,622	12,092
<b>Liabilities and shareholder equity</b>												
<b>Current liabilities</b>												
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
<b>Total current liabilities</b>	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
<b>Total Liabilities</b>	3,541	3,953	4,120	4,041	3,819	3,819	4,149	4,149	4,149	4,149	4,149	4,149
<b>Shareholder's equity</b>												
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)
<b>Total shareholder's equity</b>	3,213	1,471	4,645	2,795	1,661	1,661	1,098	7,372	3,922	472	472	7,942
<b>Total liability and shareholder's equity</b>	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 &amp; Co. estimates.

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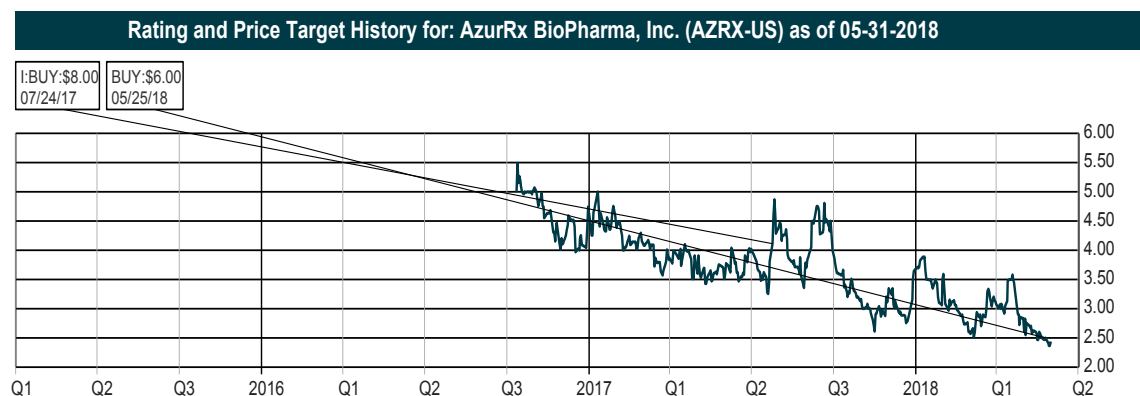
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## RETURN ASSESSMENT

**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

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<b>Distribution of Ratings Table as of May 31, 2018</b>				
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%
<b>Total</b>	<b>289</b>	<b>100%</b>	<b>105</b>	<b>36.33%</b>

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