



## Can Knight Therapeutics Inc. Repeat the Success of Paladin Labs?

### Description

What would you do if you knew of a guy who built a company and made his shareholders big money in the process? Would you trust that he could do it again? Well, the company was Paladin Labs and the guy is Mr. Jonathon Goodman.

A unique specialty pharmaceutical company that was focused on the in-licensing and acquisition of products for the Canadian marketplace, Paladin Labs was incorporated in 1993 and went public in 1995 at \$1.50. It was sold in 2013 to Endo Pharmaceuticals at \$151 per share for a 100-fold increase in value for shareholders.

Let's fast forward to today. **Knight Therapeutics Inc.** ([TSX:GUD](#)) was formed on February 28, 2014, the day the sale of Paladin to Endo closed, and it was comprised of the assets that were not sold to Endo as part of the deal. It was initially owned by Paladin shareholders as consideration for the Paladin Labs sale.

So, like Paladin Labs, Knight Therapeutics is a specialty pharmaceutical company focused on in-licensing and acquiring innovative pharmaceutical products for the Canadian and select international markets. This includes prescription pharmaceuticals, consumer health products, and medical devices.

Key to the story is the fact that Knight Therapeutics takes on the commercialization risk in the business, and not the drug-development risk, so the focus is on later stage products — phase two or three, or a drug that is already approved in a foreign market. That means lower risk.

In the prescription pharmaceuticals market, Knight has marketed or late-stage products in the pain category, the ophthalmic category, and some in a variety of other categories; it has four in the pain category, three in the ophthalmic category, and four in the “other” category, which includes cancer and tropical diseases.

In consumer health, the company has six products that are either marketed or late stage. And in medical devices, the company has two products that are late stage.

Furthermore, to ensure that the company has access to products, investments are made and loans are

given in exchange for product rights.

In closing, management has the experience and an excellent track record in the specialty pharmaceutical business, from structuring mutually beneficial deals and partnerships to the regulatory process to commercialization of products. And financials are strong with \$519 million in cash on the balance sheet, no debt, and \$15 million in operating cash flow in 2016.

Going forward, the company is very well positioned to continue to execute its strategy. In fact, there had been talk that Knight Therapeutics would actually consider buying back Paladin from Endo, as Endo has been going through difficulties with too much debt taken on to pay for its acquisition strategy. The point here is that there are many possibilities, but it seems pretty sure that Knight Therapeutics is strongly positioned.

## **CATEGORY**

1. Investing

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1. Editor's Choice

## **TICKERS GLOBAL**

1. TSX:GUD (Knight Therapeutics Inc.)

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