



## Wall Street Analyst Gives This 180% Gainer Another 29% Upside: Time to Buy?

### Description

**Bank of Nova Scotia's** research analyst Alan Ridgeway is reported to have recently issued a rating update on **Theratechnologies Inc.** ([TSX:TH](#)), reiterating a buy rating on the pharmaceutical stock with a \$9.50 price target and giving the stock 29% upside from its June 20th trading price.

Theratechnologies has gained almost 180% since January 3, and the analyst's price target is a clear 11.8% above the analyst consensus target of \$8.50, which already gave the stock a 15% upside from its \$7.39 market quote on the day.

The stock has been a great pharmaceuticals play for investors this year, especially for investors who rode the rally from \$2.80 in January this year. Should new investors rush to buy the stock in anticipation of a further 30% holding-period gain?

If you are a momentum-oriented investor, then this stock might be for you. There has been a lot of hype involving the company's business of late, and this momentum is likely to stay for some time, because the company has some great potential.

The Montreal-based Theratechnologies is a specialty pharmaceutical company with a focus on HIV patient treatments as well as addressing medical needs in metabolic disorders to promote healthy ageing.

Its current product EGRIFTA reduces excess abdominal fat in HIV-infected patients as well as diabetic patients with lipodystrophy, a disorder in which the body is unable to produce fat.

While the company's recent financials may not entice investors today, the story could be different in the near future.

Theratechnologies made a \$0.03 loss per share in the last quarter ended February 28, 2017. While this was a bad result, 85% of the \$2.24 million quarterly loss was made up of financial losses; specifically, that's a loss on financial instruments carried at fair value. Otherwise, the operating loss was just \$36,000.

## What makes the company tick?

The company signed an exclusive marketing and distribution agreement with TaiMed Biologics of Taiwan in March 2016 for the distribution of a new breakthrough drug in Canada and the United States which has the potential to generate hundreds of millions in revenue.

The drug is Ibalizumab.

Theratechnologies managed to extend the the agreement to cover the European Union, Israel, Norway, Russia, and Switzerland in March this year.

Ibalizumab has had a resounding success in a Phase III clinical trial and could be a winner in the HIV treatment space. It's one of a few viable alternative strategies to contain the virus without recourse to antiretroviral drug cocktails.

The new drug has registered success in treating multi-drug resistant HIV patients, and TaiMed has already applied for a licence for Ibalizumab with the FDA in the United States.

Theratechnologies is already implementing marketing and distribution plans through RxC Acquisition Company. On top of these developments, Theratechnologies has been expanding marketing territories for EGRIFTA to include Spain, Portugal, Mexico, and Brazil. Things could get better this quarter too.

## Investor takeaway

There is still a great opportunity for investment in Theratechnologies stock today as more investor interest may be generated when Ibalizumab finally gets licensed for sale in the United States.

This could be soon as TaiMed has requested a priority review of the application. If approved, Ibalizumab will be the first antiretroviral treatment with a special action to be made available to patients in a decade that does not require a daily dose.

Since the drug has already received "Breakthrough Therapy" and "Orphan Drug Designations" in the U.S., its likely to be licensed for sale to address a serious and life-threatening condition.

However, there is always a huge risk in buying a stock that has rallied this much; it could be due for a price correction. Investors should also note that Theratechnologies depends too much on a single distributor, RxCrossroads, which is domiciled in the United States.

Beware the concentration risk.

Happy investing.

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