



1 Small-Cap Biotech Stock for High-Risk Canadian Investors

Description

Biotech companies are built and broken on the backs of superstar drugs and FDA approvals. A green light by the FDA boosts the company's stock into the stratosphere. However, it is not the easiest approval in the world.

Theratechnologies ([TSX:TH](#)) is a [commercial-stage biopharmaceutical company](#) addressing unmet medical needs by bringing to market specialized therapies for people with orphan medical conditions, including those living with HIV. Simply put, they improve the quality of life for HIV patients. The \$294 million company has reported losses since 2017, but the potential in the company's drugs makes me bullish on it.

Theratechnologies's potential superstar drug Egrifta is used to treat HIV-related lipodystrophy, but it could unlock new potential, as the company explores the effects the drug has on fatty liver disease.

Egrifta's success in the HIV space highlighted the drug's benefits in dissolving liver fat. Theratechnologies has filed a trial to expand the scope of this drug. This is an important factor in why Theratechnologies is a company to watch out for.

The flagship drug Trogarzo, which is used to treat the very difficult, multi-drug-resistant HIV-1 is also growing in sales had received priority review status from the FDA, and the same could be a gamechanger for Egrifta.

Theratechnologies was a darling of the market in 2018, where it was trading at almost \$13.5, but a series of bad quarters have brought the price down to \$3.74

The company's revenues were US\$45 million in 2018. Management projects that revenues for 2019 will be in the range of US\$63 million, an increase of almost 40% from 2018. Theratechnologies just announced preliminary results for the fourth quarter as well as provided guidance for fiscal 2020.

It expects net revenue to rise 17.7% year over year to US\$16.5 million in the fourth quarter of 2019. The company expects net sales of Trogarzo to rise by 81% year over year to US\$7.7 million in the December quarter. Net sales of Egrifta are estimated at US\$8.7 million in Q4 — a decline of 10% year

over year.

The company's press release regarding Egrifta stated, "Although unit sales actually increased 5.3% compared to both Q4 2018 and Q3 2019, net sales for Q4 2019 were impacted by an unexpected charge related to government rebates not previously recorded by one of the company's distributing pharmacies."

What's next for investors?

In November 2019, Theratechnologies announced that Egrifta SVTM (2mg/vial) was now commercially available in the United States. Theratechnologies expects revenues to reach between US\$83-US\$87 million in 2020. This would represent a 31-37% increase from the fiscal year 2019.

Last year, Theratechnologies experienced growth and transition. It rebuilt its research pipeline and experienced strong top-line growth. In 2020, the company aims to implement various marketing initiatives for Trogarzo in the United States. It also plans to start the commercialization of this product in Europe.

Based on the company's future plans and growth potential, one can estimate growth in excess of 20% for the next three to four years. Analysts have given it an average price target of \$6.86 in the next 12 months. That's an increase of over 92% in a year. The higher end of the target is \$12.

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Date

2025/08/24

Date Created

2020/01/23

Author

araghunath

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