

6th July 2017

ASX CODE: SUD
Speculative Buy
FLASH NOTE

Suda Limited

Executes licensee agreement on Zolpimist™ with leading Pharma

Exclusive License with Teva Pharmaceuticals...

- Oro-mucosal drug delivery leader Suda Ltd (ASX: **SUD**) announced (5/7/2017) an exclusive licence and supply agreement for ZolpiMist™ with **Teva Pharmaceuticals International GmbH**, (affiliate of **Teva Pharmaceutical Industries Limited**). **Teva** is a global pharma and the world's largest generic medicines producer.
- ZolpiMist, successfully launched in the US in 2016, is a fast-acting oral spray of zolpidem tartrate (marketed under brand names Ambien® or Stilnox®), for the treatment of insomnia and provides an alternative route of administration, by delivering a therapeutic dose with one or two actuations of the spray into the oral cavity. Previous studies have demonstrated bioequivalence of ZolpiMist™ 5mg and 10mg doses with the respective Ambien tablets.
- The time to therapeutic levels of both ZolpiMist™ doses were significantly shorter than the corresponding Ambien tablets and ZolpiMist™ showed a faster onset of drowsiness. ZolpiMist™ advantages include reduced sleep latency, patient convenience, and ease of use as it is administered without the need of water, unlike conventional tablets. It is particularly useful for patients having difficulty swallowing and/or suffering with gastrointestinal disorders that restrict the absorption of drugs via the GI mucosa.

Key Terms of the License Agreement

- SUD** has granted **Teva** a licence in Brazil, Mexico and Chile, together with an 18-month option to license the product in Argentina, Israel and Australia.
- SUD** will receive approximately A\$400,000 as an upfront payment in addition to licence fees, registration milestone payments and commercial milestone payments of up to approximately A\$2,300,000. Following registration of ZolpiMist™ in the relevant territories, **SUD** will supply the product to **Teva** and receive a double-digit royalty on net sales less the supply price.
- Teva** will take on development, regulatory and commercialisation responsibilities in the territory and supply the product to **Teva** at cost plus an agreed handling fee. Both **Teva** and **SUD** will form a Joint Management Committee to maximise the commercial opportunity for ZolpiMist™ in the territory.

What does it mean for Suda?

- This is the second substantial deal with **SUD**'s oral sprays that have demonstrated significant advantages in comparison to standard-of-care tablets. The sprays cover insomnia, malaria, migraine, erectile dysfunction/PAH, chemo-induced nausea and pre-operative anxiety/epilepsy.
- Teva** has the distribution and marketing capacity to generate significant royalty streams for **SUD** in a fast growing A\$2.7b market. **Teva** has a world-leading position in the treatment of disorders of the central nervous system including neurological and neurodegenerative diseases, pain, and movement disorders, as well as products to address respiratory disease, (including asthma, allergic rhinitis, and chronic obstructive pulmonary disease).
- The license agreement with **SUD** is an example of how **Teva** integrates its generics and specialty capabilities in its research and development division to create innovative pathways of combining drug development capabilities with devices, services and technologies.

Financial Impact and Share Price drivers...

- RM Research** base case modelling (to be provided in more detail in our Quarterly update- late July 2017) provides for an NPV₁₀ in excess of A\$37 million (or 3.0 cents per Share) which incorporates all payments and modest projections on future royalty streams. We have not factored in manufacturing margins which have the potential to significantly increase this valuation.
- CY 2017 looks like a busy year for **SUD** with a number of new patents likely to be filed, further commercial developments and a TGA approval for ArTiMist™. With a world class R&D facility (evidenced by the recent Pfizer collaboration), we anticipate the pace of commercialisation to increase as the portfolio of oro-mucosal drug (covering 300 common drugs) are rolled out with global distributors.

Capital Structure

Share Price (A\$)	0.017
Fully Paid Ordinary Shares (m)	1,219.9
Perform Rights (m)	4.75
Con Notes (conv \$0.0283, exp 3/19) (m)	2.0
Options (ex \$0.04, exp 26/4/20) (m)	10.0
Market Capitalisation (undil) (A\$m)	20.7
Share Price Year L-H (A\$)	0.016-0.027
Approx. Cash (A\$m)	1.4

Directors & Management

Michael R Stewart	Non-Exec Chairman
Stephen Carter	MD/CEO
Joseph Ohayon	CEO/CFO/Co. Sec

Major Shareholders

Citicorp Nominees	3.5%
CS Fourth Nominees Pty Ltd	1.3%

Share Price Performance



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Buy	Companies with 'Buy' recommendations have been cash flow positive for some time and have a moderate to low risk profile. We expect these to outperform the broader market.
Speculative Buy	We forecast strong earnings growth or value creation that may achieve a return well above that of the broader market. These companies also carry a higher than normal level of risk.
Hold	A sound well managed company that may achieve market performance or less, perhaps due to an overvalued share price, broader sector issues, or internal challenges.
Sell	Risk is high and upside low or very difficult to determine. We expect a strong underperformance relative to the market and see better opportunities elsewhere.

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