

## Healthcare: Pharmaceuticals

# Synergy Pharmaceuticals, Inc. | SGYP - \$3.90 - NASDAQ | Buy

### Company Update

#### Stock Data

52-Week Low - High	\$3.17 - \$9.16
Shares Out. (mil)	54.31
Mkt. Cap.(mil)	\$211.8
3-Mo. Avg. Vol.	50,933
12-Mo.Price Target	\$12.00
Cash (mil)	\$13.2
Tot. Debt (mil)	\$0.0

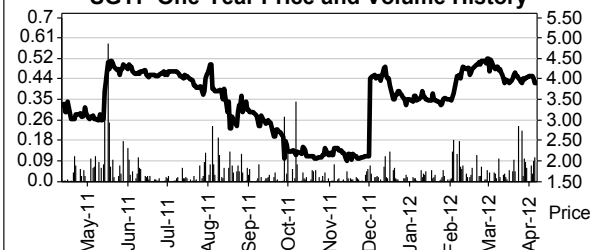
#### EPS \$

Yr Dec	—2011—	—2012E—	—2013E—
		<b>Curr</b>	<b>Curr</b>
<b>1Q</b>	(0.08)A	(0.14)E	-
<b>2Q</b>	(0.10)A	(0.15)E	-
<b>3Q</b>	(0.01)A	(0.13)E	-
<b>4Q</b>	(0.12)A	(0.15)E	-
<b>YEAR</b>	(0.30)A	(0.57)E	(0.48)E
<b>P/E</b>	NM	NM	NM

#### Revenue (\$ millions)

Yr Dec	—2011—	—2012E—	—2013E—
		<b>Curr</b>	<b>Curr</b>
<b>1Q</b>	0.0A	0.0E	-
<b>2Q</b>	0.0A	0.0E	-
<b>3Q</b>	0.0A	0.0E	-
<b>4Q</b>	0.0A	0.0E	-
<b>YEAR</b>	0.0A	0.0E	0.0E

**SGYP One-Year Price and Volume History**



## SGYP: Plecanatide enrollment on pace to meet or beat expectations

SGYP announced that the company's clinical trial for the development of plecanatide to treat CIC is now halfway enrolled. We view this timeline as in-line to ahead of expectations.

- **Update - Plecanatide trial halfway enrolled.** Synergy announced this morning that the company's ongoing Plecanatide trial for the treatment of chronic idiopathic constipation (CIC) is now halfway enrolled. The trial is designed to enroll 880 patients, and has now reached the 440 mark.
- **Company guidance for remaining clinical trial timeline.** The company anticipates completion of enrollment in 3Q12 with top line data in 4Q12. This is in-line with our targets.
- **Analysis.** The trial started on October 24, 2011 and has enrolled half the patients in ~5 months. Assuming a flat enrollment pattern, this would conservatively result in full enrollment by August/September (mid-to-late 3Q12). More likely, enrollment is accelerating and we could have full enrollment in early 3Q12. Net, we are very comfortable that the company's targets will be met and possibly exceeded for enrollment timing.
- **Maintain Buy rating.** We view fast clinical trial enrollment as a positive sign of market demand for the studied drug, and we are encouraged by the pace of the plecanatide enrollment to date. We maintain our Buy rating and \$12/ share price target.

Intraday price: \$4.00, 9:53am Eastern, 4/9/12

## VALUATION

We value shares of Synergy Pharmaceuticals based on a sum-of-the-parts analysis. The main driver is plecanatide at \$10/share with lesser contribution from SP-333 (\$1.50/share) and future indications/technology value (\$0.50/share).

Impediments to our price target include, but are not limited to, unexpected adverse clinical outcomes, inability to attain a partnership, and inability to raise additional financial resources on reasonable terms.

## RISKS

In addition to the risks inherent in drug development and marketing, key investment risks for Synergy Pharmaceuticals include:

- **Clinical risk** – We anticipate positive clinical data for the plecanatide program. Further, the phase 2/3 clinical data is longer in duration, which adds risk beyond the early stage trials. Failure of this data to match expectations could have a material adverse impact on company shares.
- **Partnership risk** – We expect that Synergy will outlicense, partner, or sell its clinical programs prior to product launch. Failure to monetize these assets on favorable terms could have a material adverse impact on company shares.
- **Financing risk** – SGYP likely will need to raise additional financial resources (within the next 6-months) to reach profitability. Failure to raise additional funds on reasonable terms could have a material adverse impact on company shares.

## COMPANY DESCRIPTION

Synergy Pharmaceuticals, Inc., a development stage biopharmaceutical company, focuses on the development of drugs to treat gastrointestinal disorders and diseases. It is developing plecanatide that completed Phase 2a clinical trial and is undergoing a Phase II/III clinical trial for the treatment chronic idiopathic constipation and constipation-predominant irritable bowel syndrome; and SP-333, a second generation GC-C receptor analog, which is in pre-clinical stage for the treatment of gastrointestinal inflammatory diseases, such as ulcerative colitis. The company is headquartered in New York, New York.

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## Disclosures:

ROTH makes a market in shares of Synergy Pharmaceuticals, Inc. and as such, buys and sells from customers on a principal basis.

On September 28, 2010, ROTH changed its rating system in order to replace the Hold rating with Neutral.

On May 26, 2011, ROTH changed its rating system in order to incorporate coverage that is Under Review.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years.

**Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

### Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 04/09/12	
			Count	Percent
Buy [B]	176	68.48	53	30.11
Neutral [N]	59	22.96	8	13.56
Sell [S]	1	0.39	0	0
Under Review [UR]	20	7.78	9	45.00

Ratings System Definitions - ROTH employs a rating system based on the following:

**Buy:** A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

**Neutral:** A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

**Sell:** A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

**Under Review [UR]:** A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

**Not Covered [NC]:** ROTH does not publish research or have an opinion about this security.

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