

## Healthcare: Pharmaceuticals

# Synergy Pharmaceuticals, Inc. | SGYP - \$4.68 - NASDAQ | Buy

### Company Update

#### Stock Data

52-Week Low - High	\$3.17 - \$8.70
Shares Out. (mil)	65.81
Mkt. Cap.(mil)	\$308.0
3-Mo. Avg. Vol.	383,116
12-Mo.Price Target	\$12.00
Cash (mil)	\$51.1
Tot. Debt (mil)	\$0.0

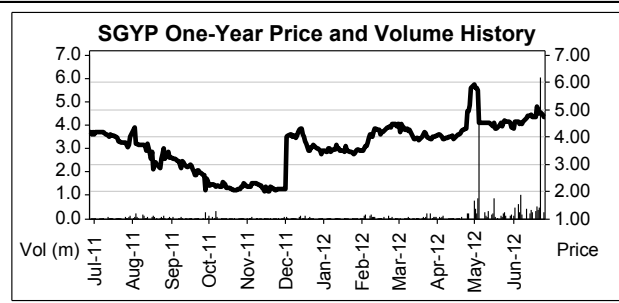
Cash (mil): Cash is proforma of ~\$45 million financing in 2Q12

#### EPS \$

Yr Dec	—2011—	—2012E—	—2013E—
		<b>Curr</b>	<b>Curr</b>
<b>1Q</b>	(0.08)A	(0.13)A	-
<b>2Q</b>	(0.10)A	(0.13)E	-
<b>3Q</b>	(0.01)A	(0.14)E	-
<b>4Q</b>	(0.12)A	(0.15)E	-
<b>YEAR</b>	(0.30)A	(0.55)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	0.0A	-
<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: Update - All Programs on Track

We recently spoke with management of Synergy Pharmaceuticals. Based on our conversations, all programs appear on track. We reiterate our Buy rating and \$12/share price target. Takeaways follow.

- **SGYP shares added to Russell indexes.** Synergy Pharmaceutical shares have recently been added to the Russell 3000, Russell Global, and Russell Microcap indexes after the close June 22, 2012. We view this as a positive given the potential to increase liquidity of shares.
- **Plecanatide enrollment update.** Management indicated that the 800-patient Phase 2/3 chronic idiopathic constipation trial remains on track for completion in 4Q12. We estimate enrollment completion likely in August 2012. Post 12 week follow-up and another month for data collection, we target results in late November/December 2012.
- **IBS-C update.** We expect that the trial for this expanded indication will begin prior to the CIC data presentation. Assuming a successful clinical meeting with the FDA early Summer, we target an investigator meeting in September 2012 and enrollment starting in October 2012.
- **SP-333 update.** We target an IND for this compound in August 2012. We expect that this molecule is more stable than plecanatide and may be more appropriate for ulcerative colitis.
- **Other notable events.** The PDUFA date for Ironwood's linaclotide remains in September 2012. We view this as notable for investors, but we believe that the approval of the competitive linaclotide (similar mechanism of action) is a positive for the class as a whole.

## 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.

## 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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Within the last twelve months, ROTH has received compensation for investment banking services from Synergy Pharmaceuticals, Inc..

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

Within the last twelve months, ROTH has managed or co-managed a public offering for Synergy Pharmaceuticals, Inc..

**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 06/26/12	
			Count	Percent
Buy [B]	202	71.89	69	34.16
Neutral [N]	65	23.13	5	7.69
Sell [S]	2	0.71	0	0
Under Review [UR]	11	3.91	6	54.55

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**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.

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