

June 2, 2016

**Parnell Pharmaceuticals Holdings Ltd.
(PARN/Buy/USD\$1.64)**

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Parnell Executes: Announces First Contract Manufacturing Agreement

Parnell has executed on its first contract manufacturing agreement to leverage excess capacity at its Australian cGMP sterile manufacturing facility. Parnell has announced that the Company and Merial, Sanofi's (SNY/\$41.14/Not rated) animal health division have entered into and commenced a Contract Manufacturing Agreement. The Agreement has a 10-year life and provides for Merial's purchase of certain sterile injectable pharmaceutical products under minimum annual purchase commitments over the life of the Agreement. Upon the receipt of the upfront establishment fee from Merial, Parnell will commence immediate production of product. Parnell estimates the total value of the agreement between USD\$7 million and USD\$20 million depending on volume of product purchased by Merial over the 10-year term.

Robert Joseph, President and CEO, was quoted in the press release as saying, "We are very pleased to announce the commencement of our first contract manufacturing agreement with a major multinational. Merial has a fantastic reputation in the industry and we are excited that Parnell will be supplying sterile injectable products from our state-of-the-art, FDA and EMA approved manufacturing facility. Our Business Development team has been pursuing contract manufacturing opportunities to leverage the 75% available capacity we have in our facility, and this agreement with Merial generates cash flows that will contribute to our goal of seeing our manufacturing division become a profit center for us in the future. We hope to announce further contract manufacturing deals in 2016."

Parnell's ability to manufacturer both its own products and capitalize on leveraging its manufacturing resources for contract manufacturing is an important differentiator from its competitors. We believe the Merial name brings substantial credibility to the state of Parnell's manufacturing facility and the Company's manufacturing expertise that should facilitate other such agreements. Investors reacted very positively to the news yesterday and we continue to believe the stock is undervalued. We rate PARN shares a **BUY**. SG



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