

*January 6, 2017***Parnell Pharmaceuticals Holdings, Ltd.**  
**(OTC Pinks/PARNF/\$1.15/Buy)***Sherry Grisewood, CFA*  
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**Voluntary NASDAQ Delisting Completed,  
Focus on Achieving Profitability in 2017**

Parnell has now completed the filing of Form 25, Notification of Removal from Listing, and Form 15, Notice of Termination of Registration or Suspension of Duty to File, with the SEC as the final steps in the Company's decision to voluntarily delist from NASDAQ. The Company's shares are now quoted on the OTC Pink Open Market under the symbol PARNF. Although no longer required to file regular financial statements, management has stated they will continue to report audited and unaudited financial and other corporate information in a manner consistent with that of the past. Management believes that this move will help enable the Company to reach its stated goal of profitability in 2017.

In both press releases and in our one-on-one conversation with Robert Joseph, Parnell's CEO, the Company emphasized that this decision stemmed from strategic and financial reasons and a certain level of frustration (similar to that expressed by many biotech senior management just before and after the election) with the lack of value recognition by the investing public. The timing of the decision was also influenced by the fact that Parnell had lost its status as a Foreign Private Issuer following the financing last Spring that resulted in more than 50% of its outstanding voting shares being held by US residents. In addition, the Board composition had become "US" with the majority of members being current US residents. As a result, the Company would have had to come into compliance with all US domestic reporting requirements to remain on NASDAQ. In light of the required change in filing status, the Board of Directors determined it was in the best interests of shareholders to delist since there did not appear to be any value attached to the Company's shares that reflected the NASDAQ listing.

**Primary Factor Behind the Decision-Cost of Compliance**

Parnell determined that it was going to cost approximately \$2 million to meet the full US domestic reporting requirements, among which would have required the Company to re-audit back years of financial data and convert from international accounting standards to US GAAP, even though a majority of its assets and its manufacturing base is located outside the US. This would have been an arduous process as the Company operates across a number of foreign jurisdictions. Management concluded that shareholder interest could be better served by focusing management time and financial resources towards achieving profitability. As a reminder, Parnell successfully closed on a \$20 million, non-dilutive, senior secured term loan with SWK Holdings which will support the launch of **Zydax®** once approved.

**Positioning to return to NASDAQ as a Foreign Private Issuer**

Parnell has made the necessary changes to its Board and will continue to move down a path that would allow the Company to relist on NASDAQ, but with its Foreign Private Issuer status intact. Parnell intends to

reconsider a NASDAQ listing following a statutory period as a Foreign Private Issuer. With the maintenance appropriate financial reporting activities, the Company could seek to relist on NASDAQ after June 30, 2017.

**Comment**

We, like others, were surprised by the initial announcement. However, when Parnell’s situation was viewed from a holistic-like view, we believe the intent, to enhance shareholder value, is ultimately served by the Board’s decision. Despite undertaking a number of activities aimed at increasing corporate visibility and activity in its shares, the stock continued downward even though management was largely executing on its stated business plan and revenues were growing by an impressive 50%+. As the accompanying chart indicates, selling on the delisting news was not unexpected and was probably attributable to some institutions who cannot own pink sheet stocks. As that selling pressure appears to be largely exhausted, the stock has since recovered to November levels and is technically looking better than it has in the last year. We continue to believe Parnell is significantly undervalued relative to its peers and relative to a number of valuation metrics, including price-to-sales ratios. With a number of positive events due in 2017, including the anticipated approval and launch of **Zydx** and further contract manufacturing agreements to come, we are maintaining our **BUY** rating. *SG*



Company Notes provide current information we believe might be noteworthy to investors regarding the subject companies. Company Notes are not intended to be complete research reports. More detailed information concerning the rated companies referenced in this Note, including the full reports, basis for price targets and other disclosures, may be found at: [http://dawsonjames.com/research\\_coverage](http://dawsonjames.com/research_coverage).

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- 1) **Buy:** the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
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	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	2	33%	1	50%
Market Perform (Neutral)	0	0%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Rating Suspensions*	4	67%	4	100%
<b>Total</b>	<b>6</b>	<b>100%</b>	<b>5</b>	<b>83%</b>

\*Suspensions are ratings under review for possible change due to unusual market-moving news, and/or analyst departure/change

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