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NRx Pharmaceuticals, Inc. (NRXP) – Buy

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Adjusting Our Cash Burn Down, Extending Runway

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In Q3 the company spent \$5.8M, with R&D of \$3.3M, but that burn rate is likely to moderate in 2024 as NRx's partner takes on the costs of developing NRX-101. We also note that the company announced a \$5M milestone from partners Alvogen/Lotus Pharmaceuticals. Management advises us that the recent raise coupled with lower expenses, the \$5M milestone and possible cash flow generated from IV Ketamine sales, should be sufficient to support the company this year. Two key catalysts could continue to drive the recent rebound in the stock, a readout of the Bipolar depression trial and data from the chronic pain program.

Investment Highlights:

\$5M Milestone: NRx announced on Feb. 12th that the company is set to realize a \$5M milestone payment from Partners Alvogen, Inc., and Lotus Pharmaceutical Co. Ltd. This milestone coupled with 3rd qtr. cash and equivalents \$8.9M, the recent raise, and development costs of 101 shifting to partners and free cash flow from NRX-100 (IV Ketamine) revenues (Hope Therapeutics) should all help to extend the capital runway.

NASDAQ Compliance: Management advises us that the company has until April 16th to comply with NASDAQ listing requirements of a share price greater than \$1.00. Management is expecting good data, bipolar depression, and chronic pain trials to get the job done versus a reverse stock split.

Our Model Assumes Dilution: We continue to assume additional capital raises with a rising share count. The company had approximately 84M common shares outstanding in the last reported quarter. We assume a fully diluted share count in our model which goes out to 2033. One could argue that upon success, and in the out years, that the company will have free cash flow (from approved products) and could repurchase stock, lowering the share count. A lower out-year share count translates into a higher target valuation. As such, we view our assumption as conservative.

Valuation: Our model is projected out to 2033. We apply a 30% risk cut to our projected revenues in our product model in addition to our 30% risk rate applied in our Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP) models. We do assume additional capital raises. The result is equal-weighted and averaged and rounded to the nearest whole number to derive our 12-month projected price target of \$2.0.

Risks to our thesis include: 1. Regulatory Approvals; 2. Clinical Science 3. Intellectual Capital 4. Dilution.

Price Target	\$2.00
Current Price	\$0.66

Advantage NRX-100 for Suicidal Depression

Proper use of a potent but potentially dangerous drug

- A new single-dose formulation with reliable potency and shelf stability
- Assessments and observations will tell you that non-licensed generics don't work reliably
- Doctors cannot use multidose anesthesia packaging (hence the need for compounding)
- A label that guides physicians to proper use for depression (not anesthesia) and that appropriately discloses risks and their mitigation
- A REMS (Risk Evaluation and Mitigation Strategy) program that provides for physician training

Improved Patient Access

- With an FDA label, Hope Therapeutics can market and establish trust with physicians and patients
- With an FDA label, insurance is likely to reimburse for ketamine treatment, providing access to people who cannot afford to pay cash

Compliance with the Law

- In the setting of an FDA label for use, compounding of ketamine is largely illegal
- Ketamine is a Schedule III drug whose use is overseen by both FDA and DEA
- Diversion/Abuse carry significant penalties
- Significant Protection for practitioners who prescribe ketamine under a REMS

Source: NRx Pharmaceuticals

Stock Data		
52-Week Range	\$0.22	- \$1.20
Shares Outstanding (mil.)	91.7	
Market Capitalization (mil.)	\$61	
Enterprise Value (mil.)	\$52	
Debt to Capital	0%	
Book Value/Share	\$7.69	
Price/Book	10.0	
Average Three Months Trading Volume (K)	275	
Insider Ownership	32.2%	
Institutional Ownership	4.5%	
Short interest (mil.)	4.2%	
Dividend / Yield	\$0.00/0.0%	



Risks to our thesis include 1. Regulatory Approvals; 2. Clinical Science; 3. Intellectual Capital 4. Dilution

- **Regulatory Approvals.** The company's products require regulatory approvals, and there can be no assurances that the requirements to achieve these approvals can be met. Furthermore, even if a drug product is approved, the regulators may impose limitations on the use or marketing of such a product.
- **Clinical Science:** The company will need to demonstrate to its "sophisticated" clients (doctors and other physicians) that the product is effective, reliable, accessible, and marketable.
- **The Competitive Landscape & IP.** The company does have intellectual properties and knows how to protect the utility of its drugs; however, our patent position is highly uncertain.
- **Dilution:** The company is likely to incur losses for the foreseeable future until it is able to generate sufficient revenue from product sales. Our model assumes a rising share count. There can be no assurances that the company can successfully raise the capital required to execute its business strategy.

Exhibit 1. Income Statement

NRx Pharmaceuticals: Income Statement																					
000 - YE December 31	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	
Product sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NRX-101 for BPD	-	-	-	-	-	-	-	-	-	-	-	-	50,000	200,000	300,000	400,000	600,000	660,000	726,000	798,600	
PTSD / Pain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Product Sales	-	-	-	-	-	-	-	-	-	-	-	-	50,000	200,000	300,000	400,000	600,000	660,000	726,000	798,600	
Expenses																					
COGS													12,000	40,000	54,000	60,000	90,000	99,000	101,640	79,860	
COGS %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	24%	20%	18%	15%	15%	15%	14%	10%	
Research and Development	17,027	3,650	3,873	3,314	4,000	14,837	3,000	2,000	2,000	2,000	9,000	10,800	8,640	6,912	6,981	7,679	9,215	11,058	11,169	11,280	
General and Administrative	27,370	5,785	4,065	2,494	3,000	15,344	3,000	2,000	2,000	2,000	9,000	9,090	9,181	9,273	9,365	9,459	9,554	9,649	9,746	9,843	
Settlement Expense	-	-	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reimbursement of expenses from Relief Therapeutics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Operating Expenses	44,397	9,435	8,188	5,808	7,000	30,181	3,000	2,000	2,000	2,000	9,000	9,090	21,181	49,273	63,365	69,459	99,554	108,649	111,386	89,703	
Loss from Operations	(44,397)	(9,435)	(8,188)	(5,808)	(7,000)	(30,181)	(3,000)	(2,000)	(2,000)	(2,000)	(9,000)	(9,090)	28,819	150,727	236,635	330,541	500,446	551,351	614,614	708,897	
Other (income) Expenses																					
Gain on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest income	(249)	(156)	(145)	(119)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest expense - Convertible note	505	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Change in fair value of warrant liability	(255)	1,772	663	373	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Change in fair value of Earnout Cash liability	(4,582)	(12)	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total other (income) expense	(4,581)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Loss	(39,816)	(11,039)	(8,717)	(6,062)	(7,000)	(30,181)	(3,000)	(2,000)	(2,000)	(2,000)	(9,000)	(9,090)	28,819	150,727	236,635	330,541	500,446	551,351	614,614	708,897	
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	5%	8%	10%	18%	24%	28%	30%	31%	
GAAP Net Income (loss)	(39,816)	(10,933)	(8,845)	(6,062)	(7,000)	(30,203)	(3,000)	(2,000)	(2,000)	(2,000)	(9,000)	(9,090)	27,378	138,669	212,971	271,044	380,339	396,973	430,230	489,139	
GAAP-EPS	(0.61)	(0.16)	(0.12)	(0.07)	(0.05)	(0.41)	(0.02)	(0.01)	(0.01)	(0.01)	(0.06)	(0.05)	0.13	0.65	0.99	1.25	1.75	1.82	1.96	2.23	
GAAP EPS (dil)	(0.61)	(0.13)	(0.09)	(0.06)	(0.05)	(0.28)	(0.02)	(0.01)	(0.01)	(0.01)	(0.05)	(0.04)	0.10	0.53	0.81	1.02	1.43	1.82	1.96	2.23	
Wgtd Avg Shrs (Bas) '000	65,767	67,454	73,221	81,947	130,406	88,257	131,710	148,027	149,507	171,002	150,062	194,208	213,881	214,738	215,598	216,462	217,329	218,200	219,074	219,622	
Wgtd Avg Shrs (Dil) '000	65,767	82,897	103,726	100,000	151,000	109,406	152,510	174,035	175,775	202,533	176,213	234,085	261,963	263,012	264,066	265,124	266,186	267,252	268,323	268,994	

Source: Company reports and Dawson James

Companies mentioned in this report:

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- Initiated – Buy – March 17, 2023 – Price Target \$3.0
- Update Report – March 27, 2023 – Price Target \$3.0
- Update Report – March 31, 2023 – Price Target \$3.0
- Price Target Change- April 3, 2023 Price Target goes from \$3.0 to \$9.0
- Update Report – April 5, 2023 – Price Target \$9.0
- Update Report – May 17, 2023 – Price Target \$9.0
- Update Report – June 5, 2023 – Price Target \$9.0
- Update Report – August 7, 2023 – Price Target \$9.0
- Update Report – August 15, 2023 – Price Target \$9.0
- Price Target Change – September 7, 2023 – Price Target goes from \$9.0 to \$2.0
- Update Report – October 2, 2023 – Price Target \$2.0
- Update Report – October 16, 2023 – Price Target \$2.0
- Update Report – October 26, 2023 – Price Target \$2.0
- Update Report – November 1, 2023 – Price Target \$2.0
- Update Report – November 6, 2023 – Price Target \$2.0
- Update Report – December 19, 2023 – Price Target \$2.0
- Update Report – January 16, 2024 – Price Target \$2.0
- Update Report – January 22, 2024 – Price Target \$2.0
- Update Report – February 5, 2024 – Price Target \$2.0
- Update Report – February 21, 2024 – Price Target \$2.0
- Update Report – February 29, 2024 – Price Target \$2.0
- Update Report – March 6, 2024 – Price Target \$2.0

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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.
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Current as of 27-Feb-24

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	20	57.14%	4	11.43%
Market Perform (Neutral)	15	42.86%	2	5.71%
Market Underperform (Sell)	0	0%	0	0.00%
Total	34	100%	6	17.14%

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