



## PixarBio Corporation (OTCQX: PXR, Target Price: \$7.90)

Based in Cambridge, MA, PixarBio Corporation (OTCQX: PXR, "PixarBio") is a specialty pharmaceutical company focused on pre-clinical and clinical commercial development of therapeutic drug delivery systems for post-operative pain. The company's lead clinical candidate, NeuroRelease™ is a non-opioid / non-opiate pre-clinical stage product intended for the treatment of surgical pain, with planned future indications for chronic pain. NeuroRelease™ blocks nociceptive and neuropathic pain signals arising from temperature and pressure stimuli without affecting motor function, which is intended to allow for effective treatment without delaying post-surgical physical therapy. There are numerous potential milestones for PixarBio over the next several quarters. The company has several planned clinical studies for NeuroRelease™ in 2017, and CEO Frank Reynolds has stated that PixarBio is also pursuing an uplisting to a national exchange, such as the Nasdaq CM or NYSE MKT.

### Investment Highlights

#### PixarBio makes play to acquire InVivo (NVIV)

PixarBio began the year with an announcement that it is pursuing an acquisition of InVivo Therapeutics (NVIV). InVivo was founded in 2005 by current PixarBio CEO Frank Reynolds, who served as CEO until resigning in 2013. PixarBio is focused on developing NeuroRelease™ as a non-opioid treatment for post-surgical pain, and sees potential synergies for addressing neurotrauma by combining the InVivo's and PixarBio's research and development pipelines. We note that the offer is in stock, with PixarBio being listed over the counter, and InVivo trading on the Nasdaq, at a ratio implying a takeover.

If PixarBio is ultimately successful in its bid to acquire InVivo, PXR stated that the combined company will be renamed Reynolds Therapeutics. PixarBio CEO Frank Reynolds stated that Reynolds Therapeutics will be focused on acute and chronic pain, spinal cord injury, adaptive technologies, epilepsy, and Parkinson's disease. Readers should be aware that there has been animosity between Reynolds and InVivo management, including the dispute over the inventor status of several patents related to the NeuroScaffold.

#### PixarBio expands portfolio, targeting 2019E for first release

Outside of the intriguing corporate action developments described above, PixarBio continues to advance its pre-clinical development portfolio. On January 9, 2017, the company announced that it was investigating non-opioid pain treatments using steroid based injections. The steroid based injections are being investigated for the treatment of chronic and acute pain for up to 90 days.

PixarBio expects the first NeuroRelease™ product FDA decision will be for 14-day post-surgical pain treatment and is hopeful that it will obtain approval in time for commercial launch in 2019, using a 505(b)2 pathway. PixarBio's NeuroRelease™ pain platform also includes 4-8 hour, 3-day, 7-day, 14-day and 90-Day pain

Update (January 19, 2017)

Equity | Healthcare / Biotechnology

treatments; management is optimistic that it will be able to obtain FDA approval for these treatments by 2020.

#### Price target, estimates unchanged

Our price target and estimates are unchanged at this time. We will continue to monitor developments at PixarBio, including its bid for InVivo, and, more, importantly, clinical developments for its lead candidate, NeuroRelease™.

#### Stock Details (1/12/17)

OTCQX:	PXR
Sector / Industry	Healthcare / Biotechnology
<b>Price target</b>	<b>\$7.90</b>
Recent share price	4.10
Basic Shares o/s (mn)	80.3
Market cap (in \$ mn)	329.2
52-week high/low	\$30.00 / 3.00

Source: Thomson Reuters, SeeThruEquity Research

#### Key Financial (\$mn, unless specified)

	FY15	FY16E	FY17E
Revenues	0.0	0.0	0.0
EBITDA	(15.3)	(36.6)	(41.6)
EBIT	(15.7)	(37.0)	(42.0)
Net income	(15.7)	(37.0)	(42.0)
EPS (\$)	(0.18)	(0.40)	(0.42)

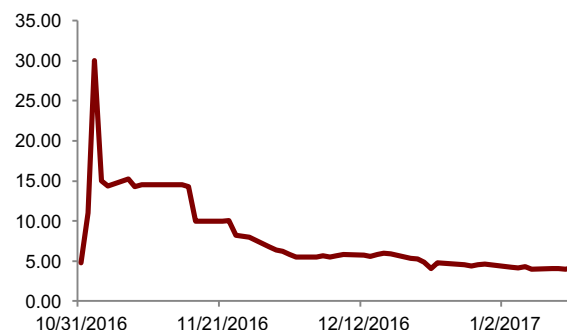
Source: SeeThruEquity Research

#### Key Ratios

	FY15	FY16E	FY17E
EBITDA margin (%)	NM	NM	NM
Net margin (%)	NM	NM	NM
P/ Revenue (x)	NM	NM	NM
EV/Revenue (x)	NM	NM	NM

Source: SeeThruEquity Research

#### Stock Performance (LTM)



Source: Thomson Reuters

**PixarBio makes bid for stock-based hostile acquisition of InVivo Therapeutics**

- **PXRB launches bid to acquire NVIV:** PixarBio began the year with an announcement that it is pursuing a hostile acquisition of InVivo Therapeutics (NVIV), a Nasdaq-listed research and clinical-stage biomaterials and biotechnology company with a focus on treatment of spinal cord injuries. PixarBio is focused on developing NeuroRelease as a non-opioid treatment for post-surgical pain, and sees potential synergies for addressing neurotrauma by combining the InVivo's and PixarBio's research and development pipelines.
- According to a press release issued by the company, if PixarBio were successful in its bid to acquire InVivo, the combined company will be renamed Reynolds Therapeutics. PixarBio CEO Frank Reynolds stated that Reynolds Therapeutics will be focused on acute and chronic pain, spinal cord injury, adaptive technologies, epilepsy, and Parkinson's disease. Of note, if consummated, the merger would likely include an up-listing to the Nasdaq for PixarBio, access to NVIV's cash reserves of more than \$35mn and \$150mn shelf, as well as additional lab space and large vivarium for studies.
- There is a history between the InVivo and PixarBio founder and CEO Frank Reynolds. Reynolds founded InVivo in 2005 and served as CEO until resigning in 2013. Readers should be aware that there has been animosity between Reynolds and InVivo management, including the dispute over the inventor status of several patents related to the NeuroScaffold.
- We note that the offer is in stock, with PixarBio being listed over the counter, and InVivo traded on the Nasdaq, at a ratio implying a take-under.
- We are hopeful PixarBio will remain focused on the execution of its business plan and advancing its candidates to FDA clearance and commercialization without excessive litigation costs and/or distractions while it pursues this corporate action.

**PXRB expands pipeline with steroid based injections**

- On January 9, 2017, PixarBio announced that it had expanded its non-opiate research and development initiatives to include steroid based injections that can treat acute and chronic pain for up to 90 days.
- CEO Frank Reynolds stated that the steroid based injections will target what is called "the cause of the pain": inflammation after surgery or injury.
- PixarBio will pursue a 505(b)2 pathway for clearance of the steroid treatment.

**No change to estimates, price target**

- We are leaving our estimates and price target unchanged for PixarBio at this time. We will continue to monitor developments at PixarBio.
- We expect continued news flow for PixarBio following management's announcement that it would pursue a takeover of CEO Frank Reynolds' prior company, InVivo in a stock transaction at a ratio that would imply below market pricing.
- More importantly, we will monitor continued developments in PixarBio's pipeline. PixarBio expects the first product FDA decision will be for 14-day post-surgical pain treatment and is hopeful that it will obtain approval in time for commercial launch in 2019. PixarBio's NeuroRelease™ pain platform also includes 4-8 hour, 3-day, 7-day, 14-day and 90-Day pain treatments; management is optimistic that it will be able to obtain FDA approval for these treatments by 2020.
- If PixarBio is successful in receiving FDA approval to target post-surgical pain, it would be entering a large market, which is well-suited for disruption given the widespread addiction problems spreading from opioids, which are widely prescribed for post-surgery pain management. Indeed, the US opioid market exceeds \$30 billion per year, there are more than 90mn surgeries per year in the US alone, and approximately 50% of surgical patients who report post-operative pain also report inadequate pain relief.

## Management Team

### **Frank Reynolds, CEO, Chairman, CSO, CFO**

- Co-invented The NeuroScaffold, led invention from concept to the clinic
- Founded InVivo Therapeutics Corp (NVIV) COB, CEO & CFO until his retirement in Aug 2013. Took NVIV public in 2010. \$520mm Mkt. Cap. in 2013
- 2013 & 2016 Best Company to work for Boston- BBJ
- 2013 CFO of Year BBJ, nominee
- Co-inventor on 50+ patent applications
- 2011 David F Apple Award for SCI research
- MIT-Sloan; WhartonSchool. Penn Engr., HBS, St Joe's, Temple U, CHC, Rider U, Univ. Hong Kong S&T

### **Barry Belfer, Sr. VP of Finance**

- 30 years of experience at Fortune 200, public, and private equity companies in the financial services, manufacturing, pharmaceutical, and biotech industries
- Extensive advisory experience to CEOs and Boards of Directors
- BS in Industrial Engineering from Lehigh University and an MBA in Finance from the University of Pittsburgh

### **Steven Chartier, Chief Operating Officer**

- 25+ regulatory submissions & approvals of novel drugs & devices in Oncology, Wound Care, Autoimmune, Anti-Infective & Cardiovascular diseases.
- Expert in building worldwide compliant Quality Systems
- Managed Regulatory, Quality, Manufacturing & Clinical departments at Biogen IDEC, Infraredx, Nucryst Pharma
- Program Management & Lab Research at Beth Israel Deaconess Medical Cntr & Dana Farber Cancer Institute.
- BA in Psychology, Saint Anselm College; RAC certification

### **Dana Tilley, PhD; Chief Neuroscientist**

- Almost a decade of Pain & neuromodulation research
- Expert on Pain at the cellular level
- Expert on Fast Firing Pain Signaling to the Brain
- Leads PixarBio Neuroscience message
- PhD in Neuroscience and Physiology from Illinois State Univ.
- MS in Chemical Engineering from Illinois State Univ.

### **Katrin Holzhaus, CAO, Director & Co-Founder**

- 16 years working with CEO Frank Reynolds initially at Expand the Knowledge, then with InVivo Therapeutics Holdings Corp (NVIV), brings complimentary leadership skillsets to PXR's operations team & proven record of success.
- Leads PXR Facilities and HR activities
- MBA and MS in MIS from Temple University, Master of Arts from Leipzig University, Germany.

**Mary Phelan, CPA, Controller**

- 20 years accounting & reporting experience in compliance w/ SEC, GAAP, SOX regulations in pharma & medical technology industries
- Extensive experience in financial reporting, debt and equity financings, M&A
- Most recently Controller, Principal Accounting Officer & acting Principal Financial Officer, Mela Sciences (NASDAQ)
- Controller & Principal Accounting Officer at Alteon Inc.
- KPMG LLP manufacturing, retail & distribution audit practice

**Ken Stromsland, CIO/Investor Relations**

- 20+ years of experience as business leader in Financial Services – EVP at Citi, Managing Dir at TD Ameritrade
- Engineer at Johnson & Johnson
- MSE - Wharton School, U Penn Engineering

## **Non-Executive Board of Directors**

**David Cass, Independent Board Member**

- Chief Information Security Officer Cloud & SaaS Operational Services at IBM
- Global responsibility for all aspects of security practices, processes, and policies across IBM Cloud SaaS
- Former Elsevier SVP & Chief Information Security Officer leading global legal, risk and security team providing data protection, privacy, security, & risk management guidance
- As Sr Director of Information Security Risk and Governance for Freddie Mac, rebuilt the risk and governance function
- As VP of Risk Management for JPMorgan Chase, was responsible for providing assessment of risk management state, contributing to future direction of risk management, continuity & disaster recovery.
- MSE from U of Pennsylvania; MBA from MIT.

**Derek Bridges, Independent Board Member**

- President & CEO of Next Level Alignment
- Extensive experience with regulatory filing, bidding and reimbursement with the Centers for Medicare and Medicaid (CMS) & Patient Protection and Affordable Care Act (PPACA).
- Served as a senior executive for Anthem, Aetna and Delta Dental, developing growth strategies to double revenue/profitability in \$100MM - \$1B+ organizations.
- MBA from U of Kansas; MSE in Technology Management from U of Pennsylvania's Wharton School

**Laura B. Morse, Independent Board Member**

- Founder, Entrepreneurship Ventures, a start-up consulting & coaching practice
- Former Human Capital Partner at Atlas Venture, largest transatlantic early stage technology VC firm
- Specializes in human capital strategies including recruitment, development, reward systems
- S.W.I.F.T. sc Brussels, global financial telecom consortium, led worldwide recruiting & expatriate services
- Frequent speaker around Europe, Solvay (Belgium), Harvard Business School, and MIT/Sloan.



## **About PixarBio Corporation**

PixarBio is a public company traded on the OTC markets under the stock symbol PXR.B. PixarBio is a specialty pharmaceutical/biotechnology company focused on pre-clinical and clinical commercial development of novel neurological drug delivery systems for post-operative pain. PixarBio researches and develops targeted delivery systems for drugs, devices, or biologics to treat pain, epilepsy, Parkinson's disease, and spinal cord injury. Our lead product platform, NeuroRelease™, has achieved sustained therapeutic release of non-opiate drugs for post-operative, acute and chronic pain in pre-clinical models. For more information, visit [www.pixarbio.com](http://www.pixarbio.com).



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