



CORPORATE PROFILE November 14, 2017

DELIVRA CORP.
(V-DVA) \$0.30

RATING: NOT COVERED **TARGET: N/A**
(not a covered company) *(not a covered company)*

Introducing a Game Changer

- ▶ **Delivra is a specialty biotechnology company** with existing products based on a proprietary transdermal delivery platform that can shuttle pharmaceutical and natural molecules through the skin in a targeted specific manner. Delivra manufactures and sells a line of natural topical creams with the proprietary transdermal delivery system platform under the LivRelief™ brand.
- ▶ **The market for transdermal drug delivery has been growing** at a robust pace in recent years. According to a 2014 research report from Kelly Scientific (“Global Transdermal Drug Delivery Market to 2017”), while oral delivery still represents the largest share of such markets globally, transdermal is the fastest growing delivery mechanism.
- ▶ **Government grants and product sales help fund research.** In 2016, the Company received \$176,057 in government grants. These grants were recorded as a reduction in expenses; notably R&D salaries, R&D expenses and selling, marketing and promotion.
- ▶ **Researching transdermal products to meet multi-billion dollar unmet needs.** Management’s goal is to have a portfolio of products that target pain management, sleep, anxiety, diabetic ulcers and scleroderma. The products that are in the most advanced stages are doxycycline (for diabetic wound healing), Celebrex™ (for inflammatory diseases) and cannabis-based therapeutics.
- ▶ **Delivra is led by an experienced team.** Dr. Joseph Gabriele, CEO and Chairman, is the founder, inventor and visionary behind the Delivra™ technology. Dr. Gabriele has devoted the past eight years to innovation, development, and commercialization activities at Delivra. He has a doctorate in molecular pharmacology.
- ▶ **OUTLOOK:** Management have become more focused on driving sales of LivRelief™. They’ve hired a Howard Lichtman as Chief Marketing Officer with more than 20 years of experience.
- ▶ **VALUATION:** Small bio-science companies with sales of less than \$50M seem to trade at 1.0x EV/Sales. Once sales pick up and the firm gets established with the investment community, the EV/Sales multiple can jump to 5.0x.

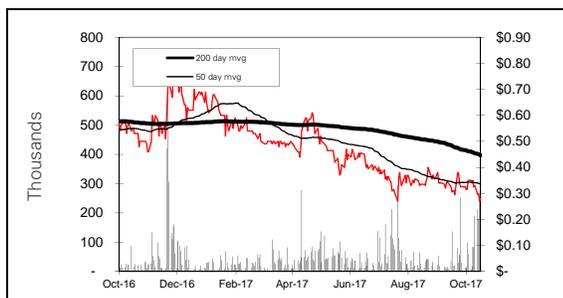
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Company Statistics

Risk: ABOVE AVERAGE
52 week High / Low: \$0.97 / \$0.27
Shares Outstanding: 17.8M (fd)
Market Capitalization: \$5.2M
30 Day Av. Daily Volume: 98,600
Net Debt: \$1.0M
Chairman & CEO: Dr. Joseph Gabriele
VP Finance: Pascal Attard

Financial Summary

(FYE Dec. 31)	2015	2016	Q216	Q217
Net revenue	2,894	3,754	1,112	1,122
Adj. EBITDA	(1,465)	(4,274)	(1,124)	(407)
Adj. EBITDA %	-50.6%	-113.9%	-101.1%	-36.3%
Net earnings	(3,487)	(5,949)	(1,310)	(581)
EPS (fd)	(\$0.11)	(\$0.16)	(\$0.03)	(\$0.01)



Corporate Information

Delivra is a specialty biotechnology company that has a proprietary transdermal delivery system platform that can shuttle pharmaceutical and natural molecules, through the skin, in a targeted specific manner. Delivra manufactures and sells a line of natural topical creams with the proprietary transdermal delivery system platform under the LivRelief™ brand.



Over-the-counter Products

To prove their patent-pending delivery system works and to provide a source of revenue to fund further research, Delivra develops, produces and sells a line of natural topical creams, for a range of conditions including joint and muscle pain, nerve pain, wound healing, and varicose veins, under the LivRelief™ brand. The Company's flagship Pain Relief Cream is the #1 selling natural pain relief cream in Canada, and its Nerve Pain Cream is the #1 selling nerve pain relief cream in Canada. The company runs an active on-going research and product development program, to bring new and unique natural products to market to help treat a range of conditions.

LivRelief™ products are available on-line and in thousands of pharmacies, grocery stores, and natural health stores across Canada. Selected LivRelief™ products are also available to on-line customers in the United States via the company's US web store.

To date, all revenue has come from the O-T-C product. Its gross margins are about 68.7% and appear to be improving over time.

Figure 1 – LivRelief



Source: Company web site

Technology Licensing

The foundation of the Delivra™ business is its unique and patent-pending transdermal delivery system, which has the capability to deliver a very broad range of pharmaceutical and natural molecules through the skin. This delivery system has several key advantages, including:

- Very strong dermal absorption and deep penetration
- Polypharmacy and multi-drug formulations (base can hold up to 25% active molecules)
- Delivery of larger molecules (~1400 Da), water-soluble molecules, peptides, etc.

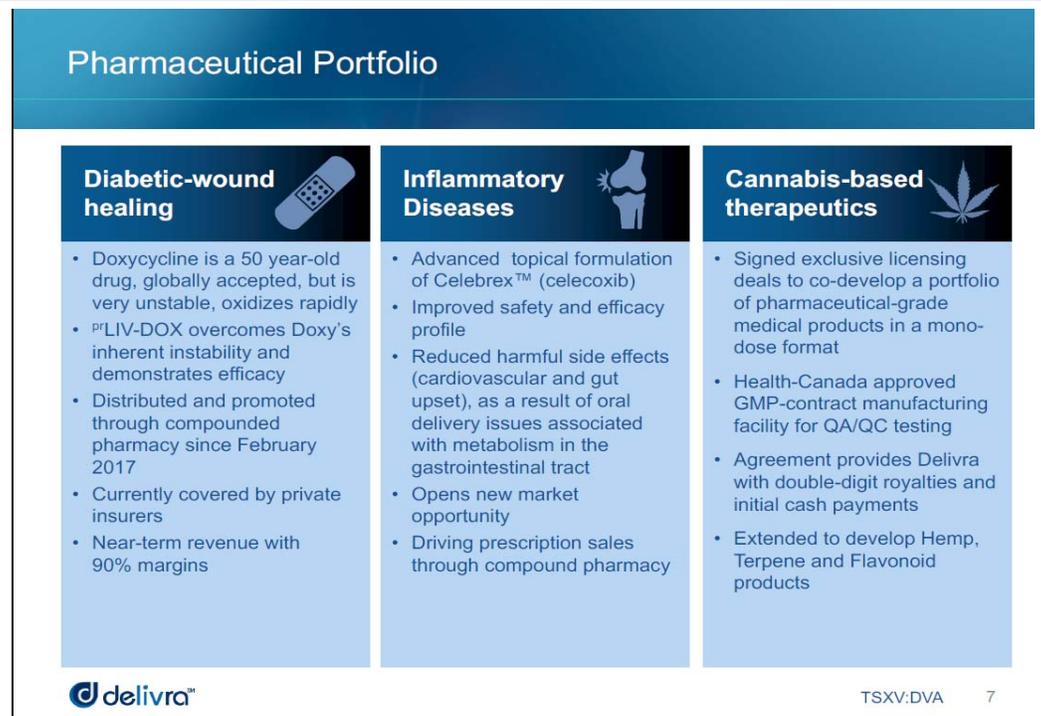


- Local or systemic delivery
- Controlled (“slow”) release of actives
- Mitigation of “depot effect” with lipophilic molecules

Management has three products that have enormous near-term potential: Cannabis-based therapeutics (licensing deals have been signed), diabetic wound healing with doxycycline (has been distributed through compound pharmacies since Feb. 2017) and inflammatory diseases with Celebrex™ (currently in compound pharmacies).

We note that under current Health Canada legislation (ACMPR), the sale of topical creams containing cannabis is not allowed. MedReleaf (T-LEAF) sells a topical cream that consumers mix their CBD oil into the cream for topical application. MedReleaf notes that store bought topical creams may contain oils and other ingredients that can impact how the cream is able to mix with cannabis oils. We expect Health Canada legislation (ACMPR) to change in the future.

Figure 2 – Portfolio



Source: Company web site

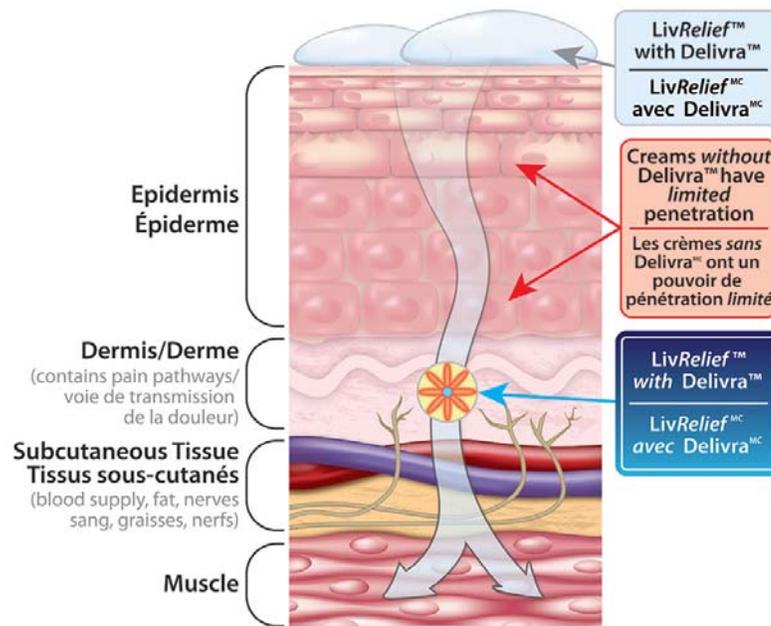
From a business perspective, the company has an active mandate to license its delivery system to pharmaceutical and natural health companies for transdermal delivery of their own particular molecules of interest. In Q117, the Company announced the completion of a licensing agreement with Dosecann Inc. for cannabis oil formulations in metered dose formats. Delivra will receive a royalty percentage on the related sales of the suite of medical cannabis products in license agreement.

The Transdermal Industry

The market for transdermal drug delivery has been growing at a robust pace in recent years. According to a 2014 research report from Kelly Scientific (“Global Transdermal Drug Delivery Market to 2017”), while oral delivery still represents the largest share of such markets globally, transdermal is the fastest growing.



Figure 3 – How it works



Source: Company web site

The growth in transdermal delivery is driven by a number of factors, including:

- oral medications are largely broken down in passage through the gastrointestinal tract, leaving less of the active ingredient available for systemic delivery to address the intended issue;
- common and reputed side effects of oral medications, including stomach upset, liver and kidney problems, hypertension, etc.;
- greater safety and efficacy of topicals versus orals;
- targeted delivery of active ingredients which is possible with topical but not with oral medications;
- new technologies that can deliver a broader range of molecules transdermally; and
- as the patents for popular drugs expire, manufacturers are looking for ways to reposition and re-energize growth due to competition from generic competitors.

Financial Review

For the second quarter ended June 30th, sales were \$1.12M versus \$1.11M in Q2/16. Last year, Q2 had \$65,220 of licensing revenue, so comparable OTC product sales were up 7%. The main driver in the quarter was an increase in unit sales.

Gross Profit rose 3.1% to \$0.81M from \$0.78M last year. The gross profit percentage increased from 70.5% last year to 72.0%. G&A expenses fell to \$0.35M from \$0.4M, R&D expenses dropped to \$25,209 from \$191,904 and marketing and promotional expenses were cut to \$0.87M from \$1.33M. Despite these reductions, Delivra lost \$0.58M versus a loss of \$1.31M last year.



In 2016, sales rose 30% to \$3.75M versus \$2.89M in 2015. In Q2/16, the Company allocated more marketing resources to its nerve pain product. The result was nerve pain unit sales doubled for the April to December 2016 period versus the same 2015 period.

Gross Profit rose 30% to \$2.6M from \$2.0M last year. The gross profit percentage was flat at 68.7%. G&A expenses rose to \$1.66M from \$1.06M, R&D expenses were \$0.5M versus \$0.4M while marketing and promotional expenses more than doubled to \$4.8M from \$2.0M. Because of these increases, Delivra lost \$5.95M versus a loss of \$3.5M last year.

Figure 4 – Financial Summary

(FYE Dec. 31)	2015	2016	Q216	Q217
(\$000's except EPS)				
Net revenue	2,894	3,754	1,112	1,122
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Net earnings	(3,487)	(5,949)	(1,310)	(581)
EPS (fd)	(\$0.11)	(\$0.16)	(\$0.03)	(\$0.01)

Source: Company reports

Management

Dr. Joseph Gabriele - Chief Executive Officer and Chairman

Mr. Gabriele is the founder, inventor and visionary behind the Delivra™ technology. Dr. Gabriele has devoted the past eight years to innovation, development, and commercialization activities at Delivra. He has a doctorate in molecular pharmacology and is an Assistant Professor (PT), McMaster University, Department of Psychiatry and Behavioral Neurosciences, as well as Special Graduate Faculty, University of Guelph, Department of Biomedical Sciences. Dr. Gabriele received a B.Sc from the University of Toronto, with M.Sc. and Ph.D. degrees from McMaster University.

Pascal Attard, CPA, CA – VP Finance

Mr. Attard joined Delivra in June 2015 as the Company's Controller and became the Vice President, Finance in November 2016. Mr. Attard received his CPA, CA designation in 2009. Prior to joining Delivra, Mr. Attard was the Corporate Controller for Red Tiger Mining Inc. (TSXV: RMN) and Manager of Assurance and Audit at a mid-market accounting firm.

Dr. David Baranowski – Director of Research

Mr. Baranowski joined the company at the inception of its research and development laboratory in 2013. He manages the day-to-day operations of the R&D segment of Delivra, guiding and designing basic, pre-clinical, and clinical research with a strong focus on the regulatory pathways to product development. Dr. Baranowski holds an Adjunct Professor position at the University of Prince Edward Island. Dr. Baranowski has worked in the biotechnology industry for 10 years as a research scientist for various enterprises including CRP40 Inc. and Neurodyn Inc. with experience in laboratory management, methods development, and pre-clinical experimentation. Dr. Baranowski received his Ph.D. at McGill University.

Figure 5 – Overview



TSXV:DVA 4

Source: Company presentation

Company Name	Ticker	Price	MCAP	EV	FY18E Sales	FY18E EV/Sales
Delivra Corp	dva.v	\$0.30	\$13	\$14	NA	N/A
CRH Medical Corp	crh.to	\$2.09	\$155	\$297	\$129	2.3x
Biosyent Inc	rx.v	\$10.25	\$149	\$135	\$24	5.5x
Aralez Pharmaceuticals Inc	arz.to	\$2.17	\$145	\$441	\$179	2.5x
Cardiome Pharma Corp	com.to	\$1.90	\$64	\$63	\$58	1.1x
Nuvo Pharmaceuticals Inc	nri.to	\$3.90	\$45	\$27	\$17	1.6x
Medicure Inc	mph.v	\$8.48	\$134	\$201	\$38	5.3x
Centric Health Corp	chh.to	\$0.65	\$133	\$217	\$209	1.0x
Theratechnologies Inc	th.to	\$7.48	\$560	\$552	\$112	4.9x
Crescita Therapeutics Inc	ctx.to	\$0.69	\$10	\$15	N/A	N/A
Average (excluding DVA)			\$155	\$216	\$96	3.03x

Source: Thomson Reuters

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