Cashed Up For A Potential Best-In-Class EoE Therapy

Maintaining SPECULATIVE BUY Rating & TP of C$12

On Sep 29, EPRX announced the first data readout from Cohort 9 (8mg per injection; 20 injections) of its EP-104GI dose-escalation study (Phase 1b) - the data demonstrated excellent drug efficacy with a clean safety profile. As early as Week 4, Cohort 9 showed a striking mean reduction from baseline in EoEHSS (EoE histologic scoring system) Grade and Stage scores (-0.40 to -.0.50), compared to -0.10 to -0.20 seen in lower-dose cohorts at the same time point. We highlight that those lower-dose cohorts generated improving efficacy at later time points, suggesting that Cohort 9, which already showed superior efficacy at Week 4, could demonstrate even stronger effects later. It is very likely that the Cohort 9 would strongly outperform Sanofi's Dupixent based on its Phase 2 results (see pg. 2 for details). Patients in Cohort 9 initially showed elevated plasma fluticasone levels over 350pg/ml during the first few days post-injection vs. ~175pg/ml shown from FDA-approved Flovent HFA (inhaled fluticasone). However, these levels declined rapidly, falling to approximately 100pg/ml by Week 4. Given the systemic exposure dropped below the Flovent HFA reference threshold, we do not view the transient elevation as a safety concern. Importantly, no serious adverse events (SAEs) nor gastrointestinal candidiasis have been reported across all cohorts, which is an important side effect for systemic fluticasone therapy. Based on the strong efficacy and safety data, EPRX is expanding the Phase 2 portion of the study from the originally planned 60 patients to a total of 120 patients across three arms: two treatment arms (120mg and 160mg doses, corresponding to Cohorts 8 and 9 from the Phase 1b dose-escalation study), and one placebo arm with 40 patients per arm. Patients will be followed up for a total of 52 weeks, with a planned placebo crossover at Week 26. We expect Phase 2 top-line data by Q3 or Q4 of 2026, and anticipate that management will initiate Phase 3 trial design discussions with the FDA by year-end 2026. We anticipate a single registrational Phase 3 study to have approximately 150-300 patients, with a possibility of including adolescent patients. Since the average age of EoE diagnosis typically falls between 8 and 16 years (Roh et al., ***Pediatr Gastroenterol Hepatol Nutr***, 2020, 23(4):319), initiating treatment during adolescence is particularly important. The updated dataset reinforces our confidence that EP-104GI has the potential to emerge as a best-in-class therapy and ultimately the standard of care for EoE patients. We maintain our SPECULATIVE BUY rating and target price of C$12.

EPRX gets US$80.5M cash injection: On Sep 22, EPRX announced a US$70M public offering of common shares. The transaction was successfully completed with gross proceeds of approximately US$80.5M, including the full exercise of the underwriters' over-allotment option. In total 14.6M common shares were issued at a price of US$5.50 per share. Reflecting this equity offering, net of underwriter's commission and expected cash outflow during Q3, we estimate EPRX's current cash position at US$89.5M or C$124.6M as of Sep 30.

EP-104GI could be the best-in-class EoE therapy

EPRX has consistently delivered compelling interim data throughout the development of EP-104GI for EoE - long-lasting durability, clear dose-responsiveness except Cohort 8 (see pg.2 for details), and an excellent safety profile. The recently announced Cohort 9 stands out with particularly strong efficacy signals. So far, every dataset continues to support the view that EP-104GI has the potential to become the best-in-class therapy, and possibly the standard of care in the EoE field. We maintain our SPECULATIVE BUY rating and target price of C$12.

RATING & TARGET PRICE

Rating	SPECULATIVE BUY
Price	C$7.89
Price Target	C$12.00
Market Cap ($M)	C$399.20
Projected Return	52.1%

MARKET DATA

EPRX-TSX	C$7.89
52 Week Range	C$9.75 - C$3.07
Enterprise Value ($M)	C$274.7
Cash ($M)	C$124.47
Shares Out. (MM)	50.6
Debt ($M)	C$0.00

ESTIMATES

		2023A	2024A	2025E
EPS ($)	Q1	$(0.10)	$(0.12)	$(0.12)
	Q2	$(0.32)	$(0.12)	$(0.15)
	Q3	$(0.15)	$(0.12)	$(0.07)
	Q4	$(0.30)	$(0.13)	$(0.09)
	FY	$(0.59)	$(0.43)	$(0.34)
Revenue ($MM)	Q1	0	0	0
	Q2	0	0	0
	Q3	0	0	0
	Q4	0	0	0
	FY	0	0	0

UPCOMING EVENTS/CATALYSTS

2025 - EP-104IAR Phase 3 Trial Initiation for OA Knee Pain Expected - Only If A Partner Is Found

H1 2026 - Indication expansion - initiation of another gastrointestinal study for EP-104GI

H2 2026 - Top-line data from placebo-controlled Phase 2b (n=120 patients)

Q4 2026 - End of EoE Phase 2 meeting with the FDA

H1 2027 - Single registrational EoE Phase 3 study (n=150-300 patients)

ANALYST INFORMATION

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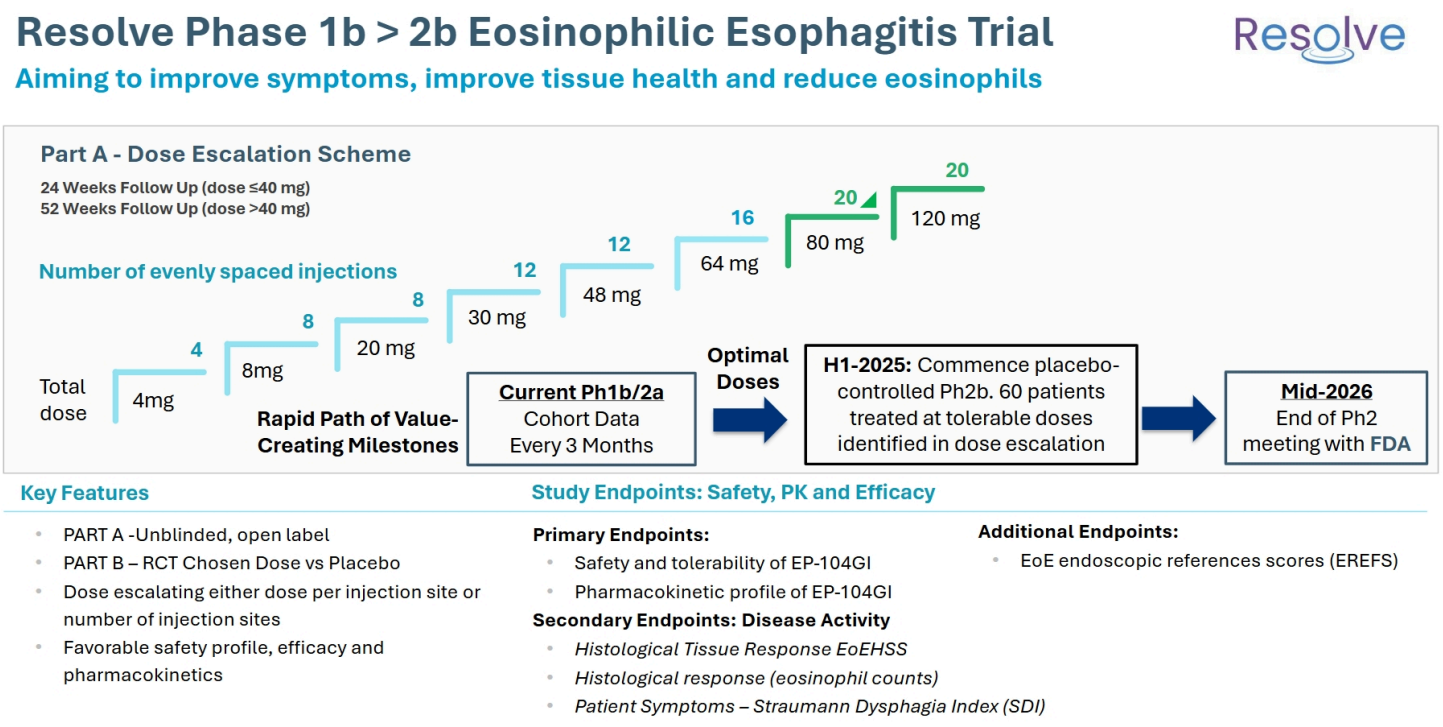
Why EP-104GI could outperform Dupixent: It is worthwhile to take a closer look at EP-104GI in comparison to Sanofi's Dupixent, a key competitor in the EoE landscape. In Phase 2 results, Dupixent generated a reduction of -0.75 (grade) or -0.76 (stage) in EoEHSS scores from baseline by Week 24 on a 0-3 scale (reduction indicates for reduced inflammation). When adjusted to the same scale (0-1) used in EP-104GI's efficacy calculations, this equates to approximately -0.25, notably lower than the -0.40 to -0.50 range already observed in EP-104GI's Cohort 9 by Week 4 - EP-104GI may generate even stronger efficacy at later time points based on observations from previous cohorts. Additionally, EP-104GI has matched the histologic remission rate achieved by Dupixent. In Cohort 9, 2/3 patients (67%) achieved <6 eosinophils per high-power field, aligning with Dupixent's ~60% histologic remission rate at Week 24. **What we find particularly noteworthy is that EP-104GI, a broader anti-inflammatory drug, achieved a similar reduction in eosinophil counts to Dupixent, which selectively blocks IL-4 and IL-13**. While IL-4 and IL-13 do not directly activate or recruit eosinophils, they are critical upstream pathways that influence eosinophilic activity via other immune cells - therefore, Dupixent's mechanism of action is inherently more direct in dampening eosinophil-related inflammation. The fact that EP-104GI achieved a comparable eosinophil response to Dupixent, despite operating through a less targeted, broad anti-inflammatory mechanism, suggests that EP-104GI may in fact be a more potent therapy overall. Combined with the superior inflammation reduction profiles shown from EoEHSS scores, the dataset suggests that EP-104GI could offer superior clinical benefit across multiple dimensions of disease activity in EoE.

What happened to Cohort 8: EP-104GI demonstrated a clear dose-response relationship in tissue health improvement except for Cohort 8 (6mg per site; 20 sites) as shown in Fig 3 below. Here, the high concentration of the drug (6mg) unexpectedly clogged the 21-gauge needle during administration, which did not occur in lower-dose cohorts. Consequently, the clogging led to suboptimal delivery of the drug molecule to patients. To address this, Cohort 9 (8mg per site; 20 sites) employed a larger 19-gauge needle, resulting in successful administration without the clogging issue. We believe the softer-than-expected efficacy observed in Cohort 8 reflects needle limitations rather than a drug-related effect. Importantly, we remain confident that future Phase 2 or Phase 3 studies or clinical use should avoid similar challenges because EPRX is expected switch to the larger 19G-needle moving forward.

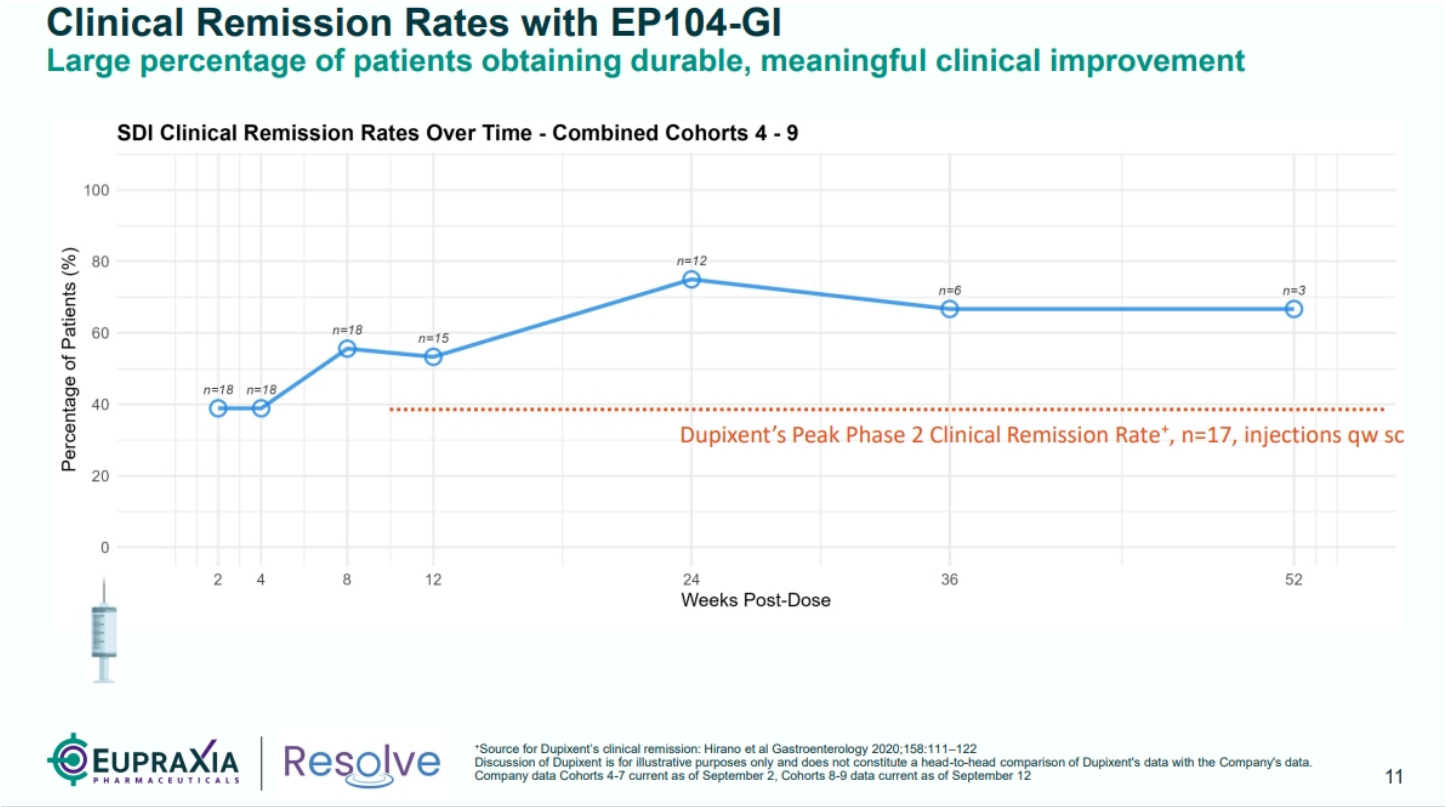
Figure 1 - EPRX's Phase 1b/2a EoE Trial Design



Source: EPRX Presentation (Apr 2025)

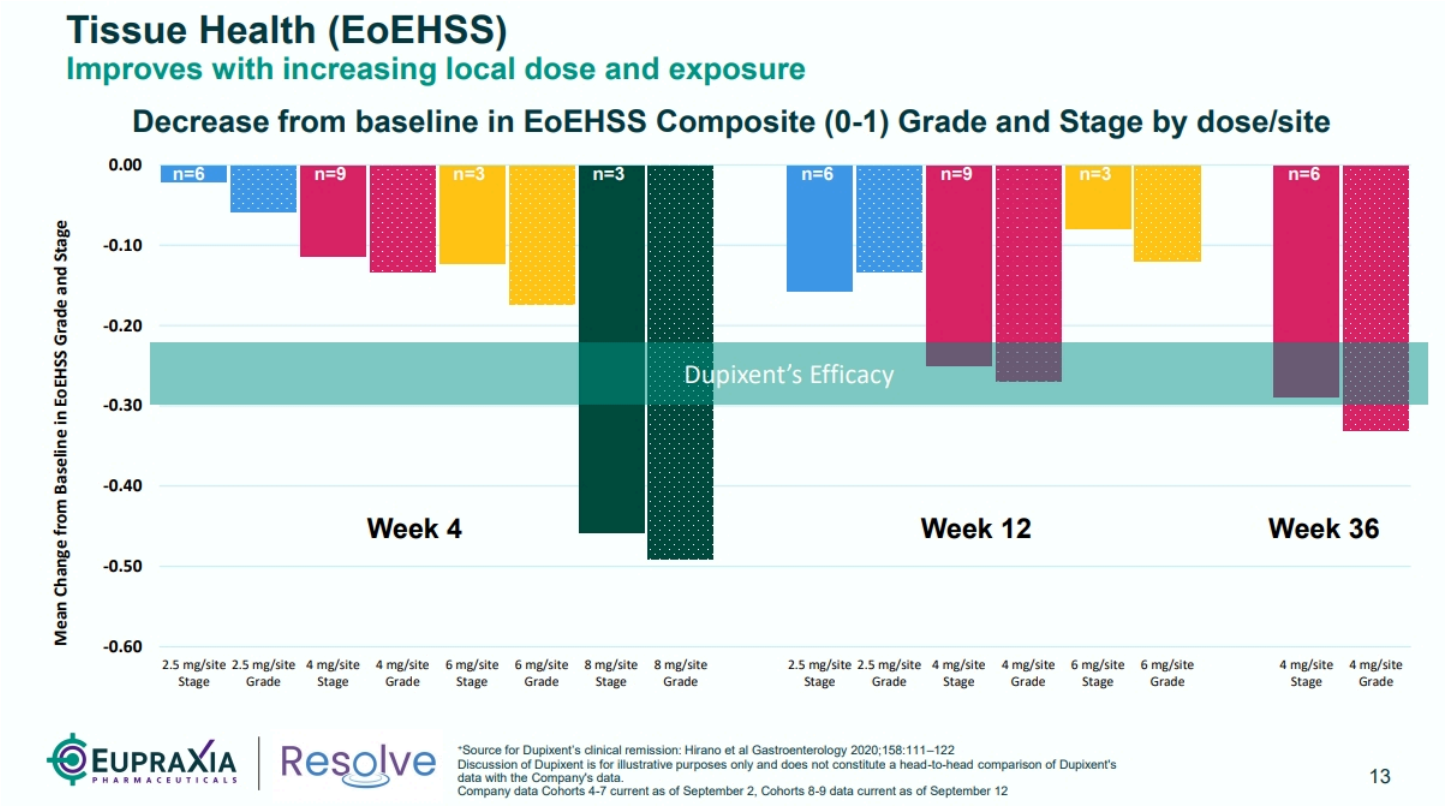
* There is an additional Cohort 9 (8mg per injection; 20 injections) treated with a total of 160mg, which is omitted in the figure above.

Figure 2 - Patients remain in clinical remission at 52 week post treatment



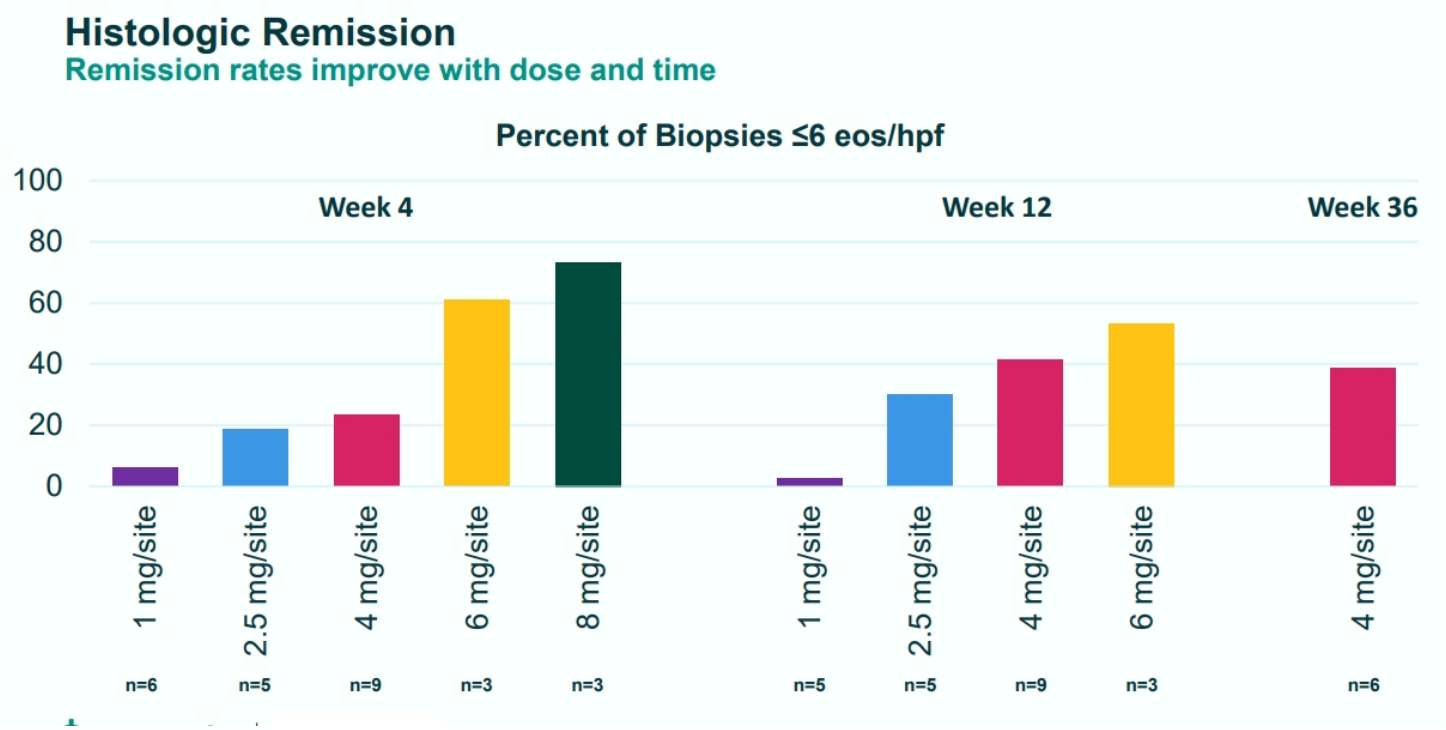
Source: Eupraxia, Sep 29, 2025

Figure 3 - EP-104GI reduces EoEHSS scores



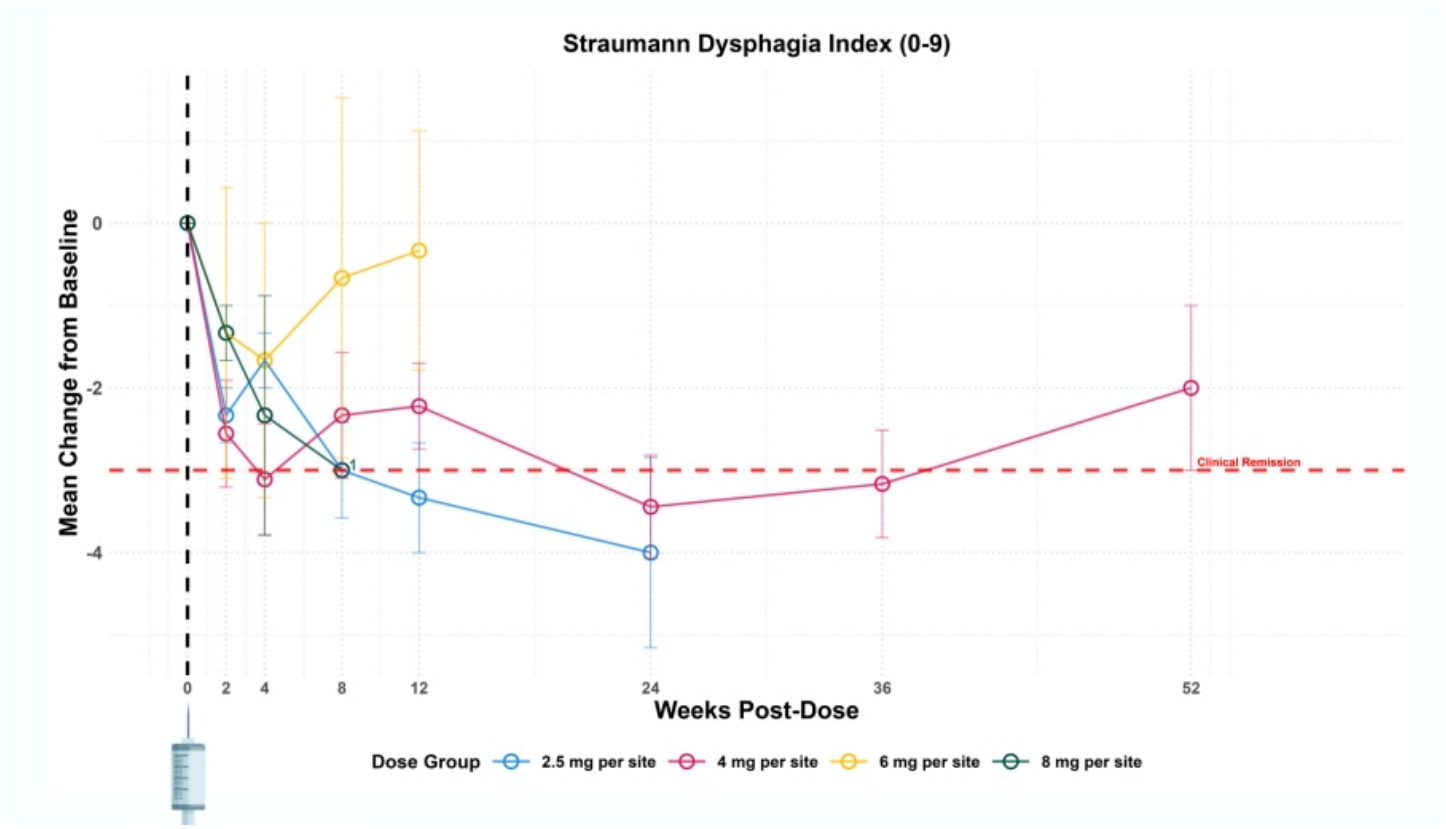
Source: Eupraxia, Sep 29, 2025

Figure 4 - Histologic remission in EP-104GI-treated patients



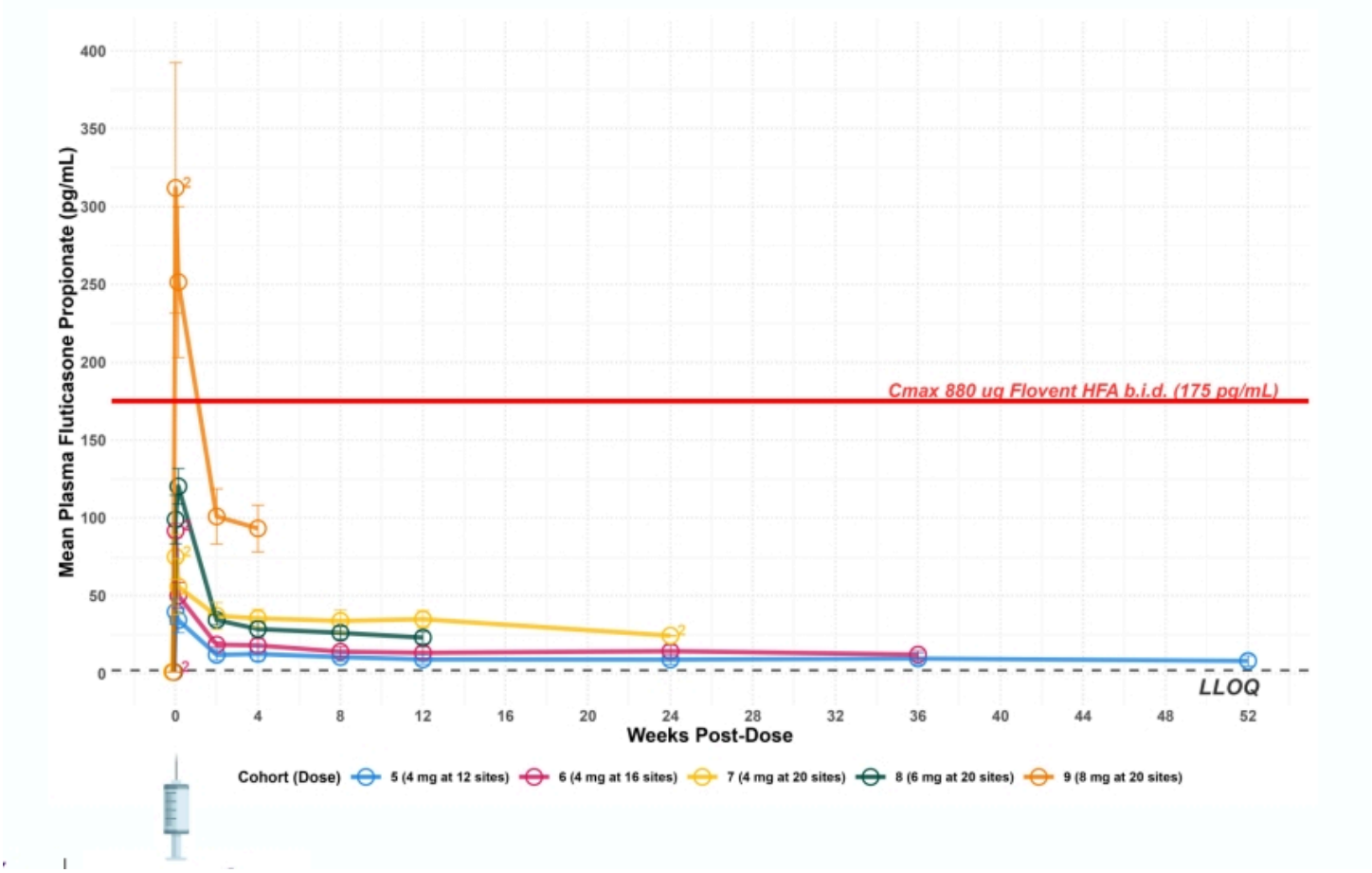
Source: Eupraxia, Sep 29, 2025

Figure 5 - Treated patients achieve clinical remission



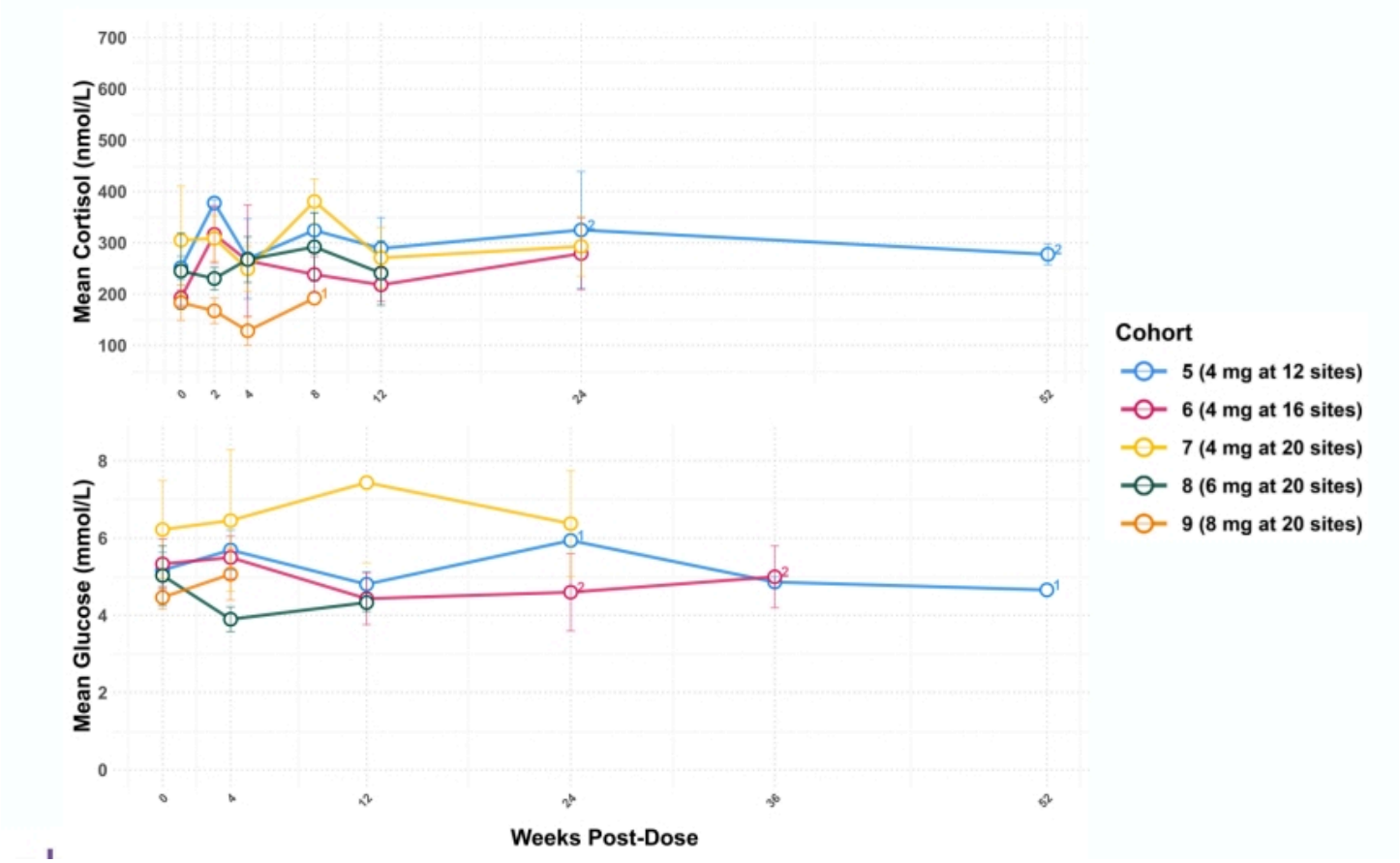
Source: Eupraxia, Sep 29, 2025

EP-104GI Pharmacokinetics - Week 52 levels remain steady



Source: Eupraxia, Sep 29, 2025

Figure 6 - Plasma cortisol or glucose level remain steady



Source: Eupraxia, Sep 29, 2025

Competitive Landscape in EoE: While several other drug candidates are in development for EoE, many have either reported suboptimal clinical data or have not provided meaningful updates in an extended period, leaving Dupixent and Eohilia the closest competitors to EP-104GI.

EoE Competitive Landscape

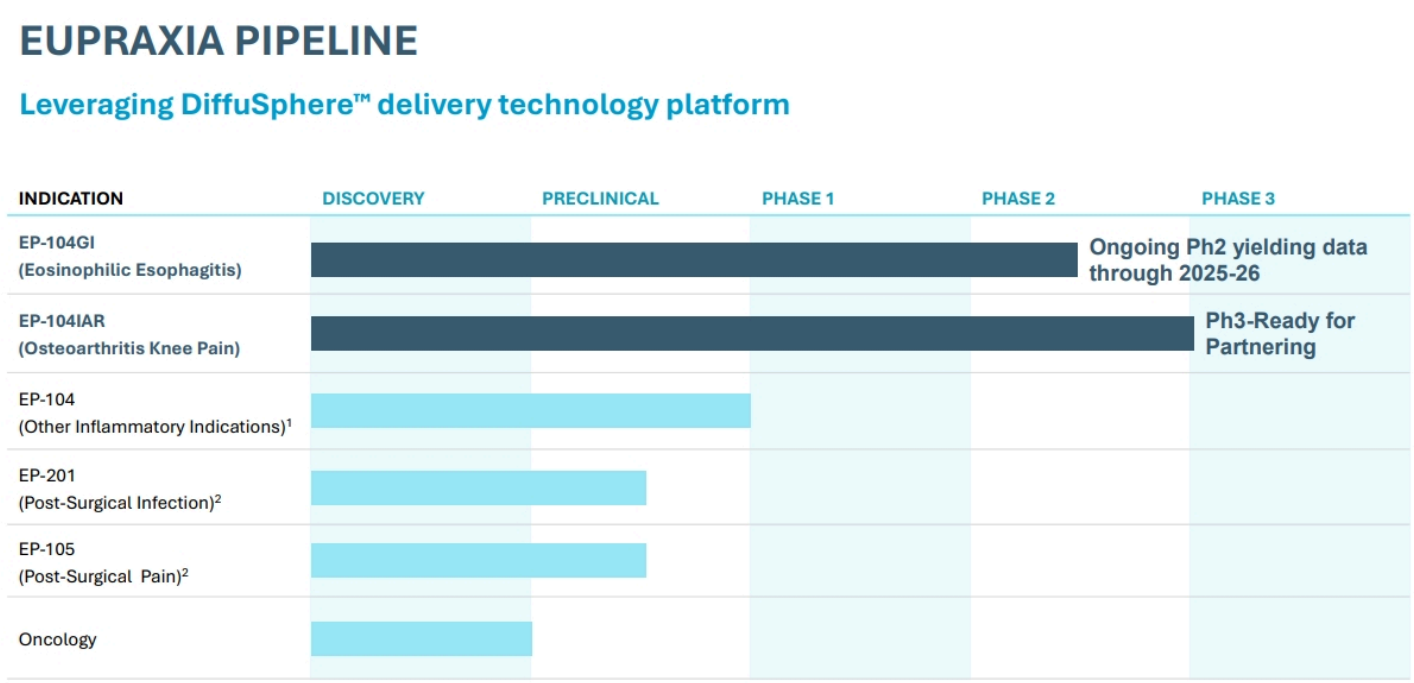
* Certain values were approximated from figures

Drug	Company	Stage	Drug Class	Efficacy	Treated	%	Control	%
Dupixent	Sanofi	Marketed	Anti-IL-4/IL-13 mAb (dupilumab)	Change in DSQ score from baseline (Week 12)	-17	-48.4%	-7	-21.7%
				Change in DSQ score from baseline (Week 24)	-22	-62.7%	-9	-28.0%
				Histologic remission at Week 24	25	60.0%	2	5.0%
				EoEHSS grade score reduction (scale 0-3)	-0.76	nmf	0	nmf
				EoEHSS stage score reduction (scale 0-3)	-0.75	nmf	-0.01	nmf
Eohilia	Takeda	Marketed	Budenoside oral suspension	Histological remission (<6 eosinophils/hpf) (Week 12)	53.5%		1.0%	
				Change in DSQ score from baseline (Week 12)	-13	-42.9%	-9.1	-29.9%

Source: RCC

EoEHSS: EoE histology scoring system; DSQ: dysphagia symptom questionnaire

Figure 7 - EPRX Pipeline



Source: EPRX Presentation

Figure 8 - EPRX Income Statement

Eupraxia Income Statement (US$, '000) FYE on Dec. 31	2022A	2023A	Q1/24A	Q2/24A	Q3/24A	Q4/24A	2024A	Q1/25A	Q2/25A	Q3/25E	Q4/25E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue																					
Licensing	CAD 0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$93,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000
EP-104GI product sales	CAD 0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$134,575	$194,011	$269,768	$405,116	$486,696
EP-104GI royalties	CAD 0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,422	$6,984	$16,704	$33,194	$46,080
EP-104IAR royalties	CAD 0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$20,540	$51,250	$99,840	$168,564	$251,579	$324,040	$398,342
Total revenue	**CAD 0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$93,000**	**$28,540**	**$59,250**	**$244,838**	**$377,559**	**$546,051**	**$770,349**	**$939,118**
Expenses																					
COGS	CAD 0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$20,186	$29,102	$40,465	$60,767	$73,004
R&D	CAD 17,203	$20,563	$4,175	$3,972	$4,050	$3,882	$16,079	$3,850	$5,197	$3,700	$5,400	$18,146	$30,900	$32,853	$33,495	$29,170	$14,878	$15,622	$16,403	$17,224	$18,085
SG&A	CAD 3,788	$7,284	$2,518	$2,583	$2,223	$3,600	$10,924	$3,274	$3,067	$3,300	$3,300	$12,942	$19,400	$20,800	$53,840	$55,532	$37,309	$39,174	$41,133	$43,189	$45,349
Depreciation and amortization	CAD 193	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Stock based compensation	CAD 2,020	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Expenses	CAD 23,204	$27,847	$6,693	$6,555	$6,273	$7,482	$27,003	$7,124	$8,264	$7,000	$8,700	$31,088	$50,300	$53,653	$87,335	$84,702	$72,373	$83,898	$98,001	$121,180	$136,438
Income (loss) from operating activities (EBIT)	(CAD 23,204)	($27,847)	($6,693)	($6,555)	($6,273)	($7,482)	($27,003)	($7,124)	($8,264)	($7,000)	($8,700)	($31,088)	($50,300)	$39,347	($58,796)	($25,452)	$172,465	$293,661	$448,050	$649,169	$802,680
Interest income (expenses)	(CAD 1,019)	($307)	($85)	$119	$304	$218	$556	$309	$256	$414	$414	$1,393	$4,098	$994	$1,099	$724	$544	$1,114	$1,696	$2,223	$3,007
Fx gain (loss)	CAD 314	$66	($144)	($75)	($22)	$82	($159)	$51	($734)	$0	$0	($683)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Others	(CAD 8)	($841)	$770	$442	$0	($348)	$864	($1)	$0	$0	$0	($1)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total other income (expenses)	(CAD 713)	($1,082)	$542	$486	$282	($49)	$1,261	$360	($478)	$414	$414	$709	$4,098	$994	$1,099	$724	$544	$1,114	$1,696	$2,223	$3,007
EBT	(CAD 23,917)	($28,930)	($6,152)	($6,069)	($5,991)	($7,531)	($25,743)	($6,764)	($8,742)	($6,586)	($8,286)	($30,379)	($46,202)	$38,354	($59,894)	($26,175)	$171,921	$292,547	$446,354	$646,946	$799,673
Income tax	CAD 0	($36)	$5	($5)	$0	$2	$2	$3	$6	$0	$0	$8	$0	$10,739	$0	$0	$48,138	$81,913	$124,979	$181,145	$223,908
Net income (loss)	**(CAD 23,917)**	**($28,966)**	**($6,157)**	**($6,064)**	**($5,991)**	**($7,532)**	**($25,744)**	**($6,767)**	**($8,748)**	**($6,586)**	**($8,286)**	**($30,387)**	**($46,202)**	**$27,615**	**($59,894)**	**($26,175)**	**$123,783**	**$210,634**	**$321,375**	**$465,801**	**$575,765**
EPS - Weighted Average	**(CAD 1.24)**	**($0.99)**	**($0.21)**	**($0.17)**	**($0.17)**	**($0.21)**	**($0.76)**	**($0.19)**	**($0.24)**	**($0.13)**	**($0.16)**	**($0.60)**	**($0.91)**	**$0.55**	**($1.01)**	**($0.44)**	**$2.08**	**$3.54**	**$5.40**	**$7.83**	**$9.68**
EPS - Fully diluted	**(CAD 0.61)**	**($0.59)**	**($0.12)**	**($0.12)**	**($0.12)**	**($0.13)**	**($0.43)**	**($0.12)**	**($0.15)**	**($0.09)**	**($0.11)**	**($0.41)**	**($0.62)**	**$0.37**	**($0.81)**	**($0.35)**	**$1.67**	**$2.85**	**$4.34**	**$6.29**	**$7.78**
Weighted average share O/S ('000)	19,285	24,147	28,813	35,623	35,623	35,665	33,931	35,686	35,912	50,549	50,549	50,549	50,596	50,596	59,502	59,502	59,502	59,502	59,502	59,502	59,502
Basic	21,743	27,282	35,623	35,623	35,623	35,642	35,642	35,849	35,960	50,596	50,596	50,596	50,596	50,596	59,502	59,502	59,502	59,502	59,502	59,502	59,502
Diluted	39,254	42,928	50,039	50,942	50,375	59,300	59,300	58,843	59,923	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000
Margin Analysis																					
% Licensing Rev of Total Revenue	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	100%	28%	14%	3%	2%	1%	1%	1%
% Royalty Rev of Total Revenue	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	0%	72%	86%	41%	45%	46%	42%	42%
% of SG&A in total revenues	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	22%	189%	94%	15%	10%	8%	6%	5%
% of R&D in total revenues	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	35%	117%	49%	6%	4%	3%	2%	2%
Gross margin	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
Operating margin	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	-43%	70%	78%	82%	84%	85%
Net profit margin	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	-44%	51%	56%	59%	60%	61%
YoY Analysis																					
Royalty Revenues	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	150%	95%	69%	49%	29%	23%
Total revenues	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	-69%	108%	313%	54%	45%	41%	22%
Gross profits	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
Net income	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	-56%	-573%	70%	53%	45%	24%

Source: Corporate filings and RCC estimates

Figure 9 - EPRX Cash Flow Statement and Select Balance Sheet Items

Eupraxia Cash Flow (US$, '000)	2022A	2023A	Q1/24A	Q2/24A	Q3/24A	Q4/24A	2024A	Q1/25A	Q2/25A	Q3/25E	Q4/25E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
FYE on Dec. 31																					
Cash flow from operating activity																					
Net income (loss)	(CAD 24,975)	($28,966)	($6,157)	($6,064)	($5,991)	($7,532)	($25,744)	($6,767)	($8,748)	($6,586)	($8,286)	($30,387)	($46,202)	$27,615	($59,894)	($26,175)	$123,783	$210,634	$321,375	$465,801	$575,765
Deferred Revenue due to licensing	CAD 0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$60,000	$94,000	($6,000)	($6,000)	($6,000)	($6,000)	($6,000)	($6,000)	($6,000)
Stock base compensation	CAD 2,020	$1,412	$213	$1,475	$507	$1,028	$3,223	$1,493	$1,117	$1,200	$1,200	$5,011	$5,600	$5,768	$5,941	$6,119	$6,303	$6,492	$6,687	$6,887	$7,094
Payable to Auritec Pharmaceuticals	CAD 0	$0	$0	$0	($5,000)	$0	($5,000)	$0	$0	$0	$0	$0	$0	($5,000)	($5,000)	$0	$0	($5,000)	$0	$0	$0
Others	CAD 1,048	$1,518	($427)	($279)	$34	($37)	($709)	($22)	$791	$0	$0	$769	$0	$0	$0	$0	$0	$0	$0	$0	$0
Changes in operating capital	CAD 2,073	$5,352	$250	($2,845)	$261	$569	($1,765)	($707)	($1,476)	($500)	($500)	($3,183)	($2,000)	($2,000)	($10,000)	($10,000)	($10,000)	($5,000)	($5,000)	($5,000)	($5,000)
Cash flow from operating activity	(CAD 19,834)	($20,684)	($6,120)	($7,712)	($10,189)	($5,972)	($29,994)	($6,003)	($8,315)	($5,886)	($7,586)	($27,791)	$17,398	$120,383	($74,953)	($36,056)	$114,086	$201,125	$317,062	$461,688	$571,859
Cash flow from investing activity																					
Sale (purchase) of short-term investments	CAD 9,009	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sale (purchase) of assets	(CAD 308)	($73)	($7)	$18	($42)	($44)	($75)	($169)	($166)	$0	$0	($335)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Others	CAD 0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cash flow from investing activity	CAD 8,701	($73)	($7)	$18	($42)	($44)	($75)	($169)	($166)	$0	$0	($335)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cash flow from financing activity																					
Proceeds from common share issuance	CAD 13,298	$15,887	$22,853	$0	$0	$31,705	$54,559	$0	$0	$75,670	$0	$75,670	$0	$0	$0	$0	$0	$0	$0	$0	$0
Proceeds from long-term debt	CAD 0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Debt repayment	(CAD 97)	($79)	($21)	($4,516)	($4,601)	$0	($9,137)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Redemption of options and warrants	CAD 0	$5,272	$337	$0	$0	$26	$363	$430	$240	$0	$0	$670	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest and bank charges paid	CAD 0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Others	CAD 322	($65)	($16)	$16	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cash flow from financing activity	CAD 13,523	$21,014	$23,154	($4,499)	($4,601)	$31,731	$45,784	$430	$240	$75,670	$0	$76,340	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Cash Flow	**CAD 2,390**	**$257**	**$17,027**	**($12,194)**	**($14,833)**	**$25,715**	**$15,715**	**($5,742)**	**($8,242)**	**$69,784**	**($7,586)**	**$48,214**	**$17,398**	**$120,383**	**($74,953)**	**($36,056)**	**$114,086**	**$201,125**	**$317,062**	**$461,688**	**$571,859**
Cash flow/Share	CAD 0.12	$0.01	$0.59	($0.34)	($0.42)	$0.72	$0.46	($0.16)	($0.23)	$1.38	($0.15)	$0.95	$0.34	$2.38	($1.26)	($0.61)	$1.92	$3.38	$5.33	$7.76	$9.61

Selected Balance Sheet (US$, '000)	2022A	2023A	Q1/24A	Q2/24A	Q3/24A	Q4/24A	2024A	Q1/25A	Q2/25A	Q3/25E	Q4/25E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Cash & equivalent (+ short-term investments)	CAD 24,736	$19,342	$35,908	$23,316	$8,662	$33,101	$33,101	$27,455	$19,766	$89,549	$81,963	$81,963	$99,361	$219,744	$144,791	$108,735	$222,821	$423,946	$741,008	$1,202,696	$1,774,555
Long-term debt	CAD 10,216	$10,399	$9,520	$4,533	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total equity	CAD 11,364	$892	$18,107	$13,338	$7,978	$33,405	$33,405	$27,033	$22,555	$91,639	$83,352	$83,352	$37,151	$64,765	$4,871	($21,304)	$102,479	$313,112	$634,487	$1,100,288	$1,676,053
% of total debt in total capital	47%	92%	34%	25%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Debt/Equity (D/E) ratio	90%	1165%	53%	34%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Book value/Share	$0.52	$0.03	$0.51	$0.37	$0.22	$0.94	$0.94	$0.75	$0.63	$1.81	$1.65	$1.65	$0.73	$1.28	$0.08	($0.36)	$1.72	$5.26	$10.66	$18.49	$28.17
ROE	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	43%	NMF	NMF	121%	67%	51%	42%	34%

Source: Corporate filings and RCC estimates

Company Description:

Based in Victoria, British Columbia, Eupraxia Pharmaceuticals Inc. (EPRX-T) is a drug delivery company focused on the development of its lead product candidate, EP-104IAR which is being developed to treat osteoarthritis pain and a new indication with a different formulation is being pursued for a disease called Eosinophilic esophagitis (EoE).

Risks:

Valuation

Our valuation of EPRX is based off a probability adjusted net present value analysis (NPV) of the EP-104IAR asset for OA and EP-104GI for EoE.

- **NPV of EP-104IAR (OA):** We discounted the pro forma net cash flows from FY2025 to FY2034 and used a terminal value in FY2034 by assuming a 3% CAGR. Our inflows of cash assume that EP-104IAR will be licensed out in 2026 with an upfront payment of $60M, product development milestone payments of up to $85M, and a 20% royalty, as well as, a 20% licensing payment to Auritec. A 17.5% discount rate was applied which considers the current inflationary macroeconomic environment through the 20-year treasury rate of 4.74%, and the 20-year average annualized return on the S&P 500 of 9.72%. Once all cash flows were discounted to present value, the valuation was adjusted for the probability of success of EP-104IAR. We have conservatively assumed an approximate 60% probability of success given EP-104IAR's current trial stage to arrive at our OA valuation of US$5.00. Pain trials have a historical high placebo rate, and several products have failed because of this. However, Eupraxia has designed their OA trial to help to try to minimize this high historical placebo rate.

- **NPV of EP-104GI (EoE):** We discounted pro forma net cash flows from FY2025 to FY2039 and used a terminal value in FY2039 by assuming a 3% CAGR. Our inflows of cash assume that EPRX will launch EP-104GI in the US market by 2030 and out-license ex-US rights by 2027 with an upfront payment of $100M and a18% sales royalty. A 25% discount rate was applied to incorporate the early development stage of EP-104GI. We have conservatively assumed an approximate 70% probability of success to arrive at our EoE valuation of US$3.70.

- Our target price is combination of our OA and EoE valuation to derive our US$8.7/C$12.00 target price.

Risks

- **Potential Impact of Tariffs:** EPRX sources the active pharmaceutical ingredient (API) for its lead candidates, EP-104IAR and EP-104GI, from the U.S. Any escalation in US-Canada trade tensions could lead to higher input costs, potentially pressuring EPRX's manufacturing expenses.

- **Phase 3 and FDA Approval (Regulatory) Risk:** Our estimates and expectations surround positive Phase 3 results for EP-104 (OA). Delays in drug approvals or failing to obtain regulatory approval would have a material and negative impact on our estimates.

- **Clinical, Development Risk:** Clinical development is not without risks. Clinical trials may fail to meet endpoints for a number of reasons, which may include: not having enough patients in a trial (study is underpowered), the trial is not properly designed, trial costs, time to trial completion, quality of clinical data, regulatory issues, efficacy and safety concerns. It should also be noted that OA trials have a high historical placebo rate which can reduce statistical power.

- **EPRX stock is illiquid**: EPRX hardly trades on the TMX and NASDAQ. This may preclude institutional investors from being able to enter and exit a position easily. This lack of liquidity may result in large share price moves both up and down - potential additional share price volatility.

- **Financing Risk:** Eupraxia may be required, from time to time, to raise additional funds for its clinical development activities and operations. The inability to raise capital on a timely basis, or under appropriate terms, could have a material adverse impact on the operations of Eupraxia.

- **Patent Protection and Infringement:** The biotech industry is heavily reliant on patented technology which brings about certain risks. The extent to which discoveries and related products and processes can be effectively protected by patents and be enforceable is uncertain and subject to interpretation of the courts. Likewise, the processes, products, and technologies of Eupraxia may be subject to claims of infringement upon the patents of others, which could materially affect their business.

- **Licensing Risk:** Assuming the EP-104 Phase 2 and Phase 3 trial results are positive, our valuation is based on Eupraxia being successful in licensing this asset to a big pharma, large biotechnology or specialty pharma company. There is no guarantee a licensing deal would

be successful and near our current assumptions. The company may decide to advance and commercialize its product on its own which would require additional capital and could result in additional dilution

- **Inflation/Foreign Exchange Rates:** A significant portion of Eupraxia forecast revenues are expected to be denominated in U.S. and European currency and are therefore subject to fluctuations in exchange rates. These fluctuations could materially impact operating margins and the results of operations.
- **Manufacturing Risk:** Eupraxia must meet FDA standards in manufacturing processes, else plans for commercialization could be materially adversely affected.
- **Share Price Volatility:** The specialty pharma/biotechnology sector can experience large share price moves, particularly if clinical trials fail, regulatory issues occur, and/or litigation happens.
- **Competition:** Eupraxia competes with other entities that are developing products aimed at treating similar conditions to those addressed by Eupraxia's pipeline products, including early-stage companies, established pharmaceutical companies, universities, research institutions, governmental agencies, and health care providers.
- **Ownership Concentration:** If certain shareholders act together, they may be able to exert a significant degree of influence over Eupraxia's management and affairs and over matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. The concentration of ownership may facilitate or delay or prevent a change in control of Eupraxia and might affect the market price of shares.
- **Litigation Risk:** As a therapeutic development entity, Eupraxia may become, in the ordinary course of business, a party to litigation, for a myriad of potential reasons.
- **History of Operating Losses:** Eupraxia has incurred losses each year since its inception. Unless Eupraxia is able to generate sufficient revenue, it will continue to incur losses from operations.

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