Eupraxia Pharmaceuticals | EPRX-TSX, EPRX-NASDAQ

Update

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EPRX-TSX, EPRX-NASDAQ

Rating:	Buy
Target:	US$15.50 (was US$12.75)
Price:	US$7.89
Return:	96.5%
Valuation:	NPV (20% rate), 20x EPS, 12.5x EV/EBITDA (F2032 estimates)

Market Data

Basic Shares O/S (M)	62.7
FD Shares O/S (M)	84.6
Market capitalization (US$M)	494.4
Enterprise Value (US$M)	345.1
Pro forma cash (US$M)	149.3
LT debt (US$M, most rec Q)	0.0
52 Week Range	$3.67-$9.32
Avg. Weekly Volume (000)	1,094,061
Fiscal Year End	31-Dec

Key Completed Or Pending Milestones

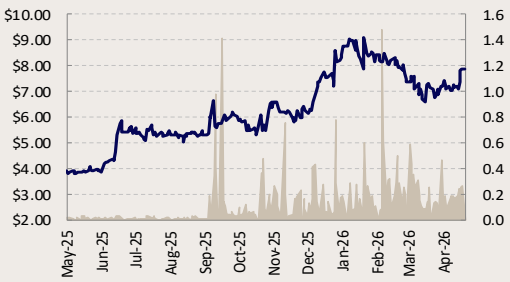
Phase IIb knee osteo pain data (EP-104IAR)	Q424
Phase IIb EoE data (EP-104GI)	Q326
Commence Phase II esophag stricture trial	Q426
Phase III knee osteo pain data (EP-104IAR)	Q428
Phase III EoE data (EP-104GI)	Q129

Financial Metrics

In US$000	2030E	2031E	2032E
EP104GI (EoE), US	$37,402	$60,202	$105,985
EP-104GI (EoE), EU	$0	$12,446	$25,140
EP104IAR (OA), US	$8,443	$16,988	$34,180
Gross royalty revenue	**$61,548**	**$134,104**	**$246,830**
Royalties to Auritec	($2,462)	($5,364)	($9,873)
Total net revenue	**$74,086**	**$143,741**	**$251,958**
EBITDA ($000)	**$38,440**	**$111,813**	**$220,223**
Adj net inc ($000)	$20,883	$79,642	$164,678
EPS (basic)	$0.32	$1.21	$2.49
EPS (fd)	**$0.25**	**$0.94**	**$1.95**

Company Description

Eupraxia is a clinical-stage biopharmaceutical company developing advanced drug delivery technologies for autoimmune & inflammatory diseases using their proprietary Diffusphere platform. Lead candidates EP-104GI (eosinophilic esophagitis) & EP-104IAR (knee osteoarthritis pain) deliver the cortisosteroid fluticasone propionate with zero-order drug release kinetics



Source: Refinitiv, Leede Financial

New Esophageal Pathologies Provide Clear Medical Targets For EP-104GI To Which We Ascribe Value – PT Increase, Buy Rating

BC-based inflammatory disease-focused drug delivery technology developer Eupraxia Pharmaceuticals had a substantial presence at the annual Digestive Diseases Week medical conference in Chicago this week, presenting 36-week update data from its higher-dosing cohorts in the firm's Phase II eosinophilic esophagitis (EoE) trial (the 117-patient RESOLVE trial), testing the firm's DiffuSphere-based injectable fluticasone propionate formulation EP-104GI.

RESOLVE update confirms (& actually precedes) one-year follow-up EoE data published last quarter, consistent with our PT/rating at the time. That update in fact precedes a more current one-year follow-up that the firm press-released in recent weeks & on which we separately commented in a recent Healthcare Weekly. We remain confident in the ability of EP-104GI, at least at higher-dosage strength/higher injection frequency scenarios that were relevant to later EoE patient cohorts enrolled in RESOLVE, to give us sustained confidence in the medical utility of EP-104GI, notably with the formulation's zero-order fluticasone propionate release kinetics allowing for localized intra-tissue drug release over a timeline that is relevant to eosinophil infiltration of diseased esophageal tissue.

Accordingly, EP-104GI's foundational pharmacology is thus relevant to sustainable localized drug delivery that can mitigate EoE symptoms without the systemic side effects so frequently associated with alterative orally-administered or injectable corticosteroid formulations. That commentary is consistent with our pre-existing view of EP-104GI's prospects in EoE & in its ability to emerge as a core component of EoE standard-of-care in a medical market currently dominated by Sanofi/Regeneron's (SNY-NY, NR; REGN-Q, NR) interleukin-4 receptor alpha-targeted mAb dupilumab/ Dupixent (FQ126 sales €4.2B, though with multiple dermatologic-respiratory diseases targeted by the mAb, not just EoE).

PT increase on incorporating esophageal strictures as a new medical market incorporated into our EP-104GI royalty revenue forecasts – abundant evidence already available in support of EP-104GI's prospects in this indication. The purpose of our update is not to emphasize our positive view on EP-104GI's medical prospects as an EoE therapy – we conducted that analysis in our original report & in subsequent updates germane to interim RESOLVE data analysis provided since, but herein we are raising our PT from US$12.75 to US$15.50 by now ascribing value to EP-104GI as a treatment for esophageal strictures.

This is a distinct esophageal pathology for which a combination of surgical & pharmacologic interventions is currently indicated, with corticosteroids already part of the esophageal stricture pharmacopeia, just not with extended-release zero-order delivery kinetics that injectable DiffuSphere-based fluticasone propionate delivery that EP-104GI. In addition to the RESOLVE update separately presented at DDW this week, Eupraxia hosted a webinar during which key opinion leaders in the treatment of esophageal strictures provided us with context for how EP-104GI could contribute to standard-of-care in this gastro-esophageal indication that overlaps with but is distinct from Eupraxia's flagship indication.

Exhibit 1. Income Statement and Financial Forecast Summary for Eupraxia Pharmaceuticals, F2026E-to-F2036E

Year-end December 31 *(US$000, exc share data)*	*2026E*	*2027E*	*2028E*	*2029E*	*2030E*	*2031E*	*2032E*	*2033E*	*2034E*	*2035E*	*2036E*
EP104GI (EoE), US	$0	$0	$0	$0	$37,402	$60,202	$105,985	$190,395	$268,153	$308,299	$348,917
EP-104GI (EoE), EU	$0	$0	$0	$0	$0	$12,446	$25,140	$35,549	$56,421	$72,526	$88,948
EP104GI (esophag strictures), US	$0	$0	$0	$0	$15,702	$23,695	$39,729	$47,960	$64,331	$80,896	$89,520
EP104GI (esophag strictures), EU	$0	$0	$0	$0	$0	$20,773	$41,796	$63,070	$84,597	$106,381	$128,423
EP104IAR (OA), US	$0	$0	$0	$0	$8,443	$16,988	$34,180	$51,578	$60,535	$69,598	$78,767
Total revenue	**$0**	**$0**	**$0**	**$0**	**$61,548**	**$134,104**	**$246,830**	**$388,552**	**$534,037**	**$637,700**	**$734,576**
Revenue growth (%)	*NA*	*NA*	*NA*	*NA*	*NA*	*118%*	*84%*	*57%*	*37%*	*19%*	*15%*
R&D, clinical expenses	$30,664	$31,278	$31,903	$19,142	$14,356	$12,921	$12,662	$12,409	$12,161	$11,918	$11,679
G&A, marketing expenses	$8,514	$8,940	$9,387	$9,856	$10,349	$10,866	$11,410	$11,980	$12,579	$13,208	$13,868
Other expenses	$0	$0	$0	$0	$0	$6,155	$6,705	$7,405	$7,382	$8,545	$8,290
EBITDA	**($35,179)**	**($24,604)**	**($25,664)**	**($26,759)**	**$38,440**	**$111,813**	**$220,223**	**$355,985**	**$494,143**	**$593,534**	**$685,592**
EBITDA growth (%)	*NA*	*NA*	*NA*	*NA*	*NA*	*191%*	*97%*	*62%*	*39%*	*20%*	*16%*
EBITDA margin (%)	*NA*	*NA*	*NA*	*NA*	*62%*	*83%*	*89%*	*92%*	*93%*	*93%*	*93%*
Non-operating expenses	$1,747	$1,832	$1,921	$12,015	$12,112	$7,215	$2,323	$2,436	$2,555	$2,679	$2,809
EBIT	**($36,926)**	**($26,436)**	**($27,585)**	**($38,774)**	**$26,328**	**$104,598**	**$217,900**	**$353,549**	**$491,588**	**$590,855**	**$682,783**
Other non-oper expenses	($1,247)	($1,310)	($1,375)	($1,444)	($1,516)	($1,592)	($1,672)	($1,755)	($1,843)	($1,935)	($2,032)
EBT	**($35,678)**	**($25,126)**	**($26,210)**	**($37,330)**	**$27,844**	**$106,190**	**$219,571**	**$355,304**	**$493,431**	**$592,790**	**$684,815**
Tax expense	$0	$0	$0	$0	$6,961	$26,547	$54,893	$88,826	$123,358	$148,197	$171,204
Net income, fully-taxed	($35,678)	($25,126)	($26,210)	($37,330)	$20,883	$79,642	$164,678	$266,478	$370,073	$444,592	$513,611
Fully-taxed EPS (basic)	($0.57)	($0.38)	($0.40)	($0.57)	$0.32	$1.21	$2.49	$4.03	$5.60	$6.73	$7.77
Fully-taxed EPS (fd)	**($0.42)**	**($0.30)**	**($0.31)**	**($0.44)**	**$0.25**	**$0.94**	**$1.95**	**$3.15**	**$4.37**	**$5.26**	**$6.07**
P/E (basic)	*NA*	*NA*	*NA*	*NA*	*0.0x*	*0.0x*	*0.0x*	*0.0x*	*0.0x*	*0.0x*	*0.0x*
EV/EBITDA	*NA*	*NA*	*NA*	*NA*	*0.0x*	*0.0x*	*0.0x*	*0.0x*	*0.0x*	*0.0x*	*0.0x*
S/O, basic (M) [1]	*62,662*	*66,066*	*66,066*	*66,066*	*66,066*	*66,066*	*66,066*	*66,066*	*66,066*	*66,066*	*66,066*
S/O, fd (M)	*84,603*	*84,603*	*84,603*	*84,603*	*84,603*	*84,603*	*84,603*	*84,603*	*84,603*	*84,603*	*84,603*

[1] *Basic S/O in F2026 included partial conversion of expiring (in Apr/26) warrants, as summarized in Eupraxia's FQ425 MD&A financial notes; full conversion of expiring warrants by mid-Apr/26 is assumed in our F2027-to-F2038 capital structure*

Source: Historical Data – Eupraxia Pharmaceuticals Inc; Forecasts/Estimates – Leede Financial

Esophageal strictures has long been available to Eupraxia as a focus market for EP-104GI, based on overlapping pathophysiology with EoE for which the firm already generated disease-reversing data in high-dose/high-injection frequency cohorts. We have not described esophageal strictures as a target market for EP-104GI before, but in a way, it is an obvious indication for an injectable extended-release corticosteroid formulation since corticosteroids already contribute to standard-of-care (in combination with procedure-based mechanical expansion of the narrowed esophagus, usually called dilation) but in most cases without the benefit of sustained localized drug delivery that DiffuSphere confers.

The term stricture simply means narrowing & though EP-104GI is not pharmacologically limited to esophageal disease as such (Eupraxia does have positive Phase II data from the SPRINGBOARD/knee osteoarthritis pain trial with EP-104IAR, the same DiffuSphere-based fluticasone propionate formulate as EP-104GI by a different name), the pathophysiology connection between EoE & strictures means that these two indications substantially overlay both logistically & patho-physiologically. There are other causes of esophageal strictures & these can be categorized as either benign (as associated with EoE, esophageal infection, or gastro-esophageal reflux disease) or malignant (as associated with Barrett's esophagus or esophageal cancer), both of which could be amenable to EP-104GI alleviation. Strictures themselves have both an inflammatory & a fibrotic underpinning to their formation, either of which could be mitigated by corticosteroid administration.

Stricture therapy already incorporates topical Rx drugs as part of standard-of-care, thus showing us that this seminal GI market should be receptive to embracing improvements in drug delivery that we believe DiffuSphere/EP-104GI can provide. As we described in a Mar/26 EPRX report & again in an Apr/26 edition of our Healthcare Weekly (mostly focused on new interim 52-week high-dose/high-injection frequency Phase II RESOLVE/EoE data published at the time), we provided some foundational commentary on esophageal strictures & what we discerned at the time about the disease itself & the pharmacopeia currently ascribed to the indication. There is established clinical precedent for prescribing locally-administered anti-fibrotic therapy for this indication. For example, the topical alkylating agent mitomycin C, a widely-used small-molecule anti-cancer agent that is well known for inhibiting fibroblast proliferation (thus impeding the formation of fibrotic tissue by the cell type that creates fibrotic tissue) & collagen synthesis, has been used since 2002 for treating refractory benign esophageal strictures, with clinical data published long ago that shows the drug to be useful in reducing the number of dilation procedures that are necessary thereafter to mitigate esophageal narrowing.

In that report, we revered to a meta-analysis of randomized controlled trials published in 2021 in the journal *Archives of Gastroenterology* that actually supported the medical utility of topical mitomycin C, showing in most studies in the analysis that mitomycin C was more effective than endoscopic therapy, at least in pediatric patients, as a standalone monotherapy. So with that insight on the utility of pharmacologic intervention in stricture mitigation already in the public domain, we were separately interested to review a different meta-analysis published in 2018 in the journal *Endoscopy* that featured the use of intra-lesional corticosteroids (in this case, the widely-prescribed drug triamcinolone & not fluticasone propionate as in DiffuSphere/EP-104GI) for treating earlier-stage benign esophageal strictures. Like mitomycin C, triamcinolone was shown to be active in reducing stricture recurrence & in reducing the number of endoscopic dilations that were required thereafter to mitigate esophagus narrowing.

Exhibit 2. Valuation Summary of Eupraxia Pharmaceuticals

NPV, discount rate		10%	15%	20.0%	25%	30%	40%
Implied value per share		$41.52	$26.36	**$17.15**	$11.39	$7.69	$3.60
Price/earnings multiple, 2032		**10%**	**15%**	**20.0%**	**25%**	**30%**	**40%**
Implied share price[1,2]	**10**	$12.09	$9.68	$7.82	$6.38	$5.24	$3.62
	20	$24.17	$19.36	**$15.65**	$12.76	$10.48	$7.24
	30	$36.26	$29.03	$23.47	$19.13	$15.73	$10.86
EV/EBITDA multiple, 2032		**7.5x**	**10x**	**12.5x**	**15x**	**17.5x**	**20.0x**
Implied share price[1,2]		$8.56	$11.17	**$13.79**	$16.40	$19.02	$21.63
One-year EPRX target price (US$)[1,2]				**$15.53**			

[1] *Based on F2032 fd fully-taxed EPS of US$1.95; EBITDA of US$220.2M, discounted at 20%, current basic S/O 62.6M*

[2] *Enterprise value based on fd S/O of 84.6M; pro forma cash of US$149.4M includes net proceeds from Feb/26 equity offering & separate cash proceeds from warrant exercise also in Feb/26), no LT debt*

Source: Leede Financial

We contended at the time & still do based on confirmatory insights shared by Eupraxia's gastroenterology-focused collaborators at DDW yesterday, that DiffuSphere-formulated long-acting extended-release zero-order-kinetics fluticacone propionate/EP-104GI could replicate if not out-perform triamcinolone's published clinical performance in this indication. It was our view then as now – though now we are ascribing formal value to the indication – that it is justified for Eupraxia to deploy R&D capital to funding a formal esophageal strictures clinical program. Impact from doing so on our PT/valuation is as described mainly in Exhibit 2. & it is thus justified in our view to generate formal clinical data that documents this hypothesis.

Looking back on our original EPRX report published in Oct/25, we also described an alternative FDA-approved long-acting steroid formulation ZILRETTA – which ironically is an intra-articularly-injectable knee osteoarthritis pain for which Eupraxia has its own Phase II data with EP-104IAR – within the context of EP-104GI's broader commercial prospects. As we described then, ZILRETTA is a drug-eluting formulation of triamcinolone acetonide based on incorporating the drug into a long-ago-characterized poly-(lactic-co-glycolic acid) (PLGA) microspheres formulation that slowly releases triamcinolone not in the esophagus but rather in the synovial fluid of articulating joints (its FDA-approved indication is knee pain). ZILRETTA was developed by Flexion Therapeutics, which was acquired by Pacira Biosciences (PCRX-Q, NR) back in 2021 for US$430M. DiffuSphere is thus a strong evolutionary advance in the delivery of locally-administered anti-inflammatory agents/corticosteroids, a market already primed for understanding the utility of such formulations & thus equally primed to adopt any documentable improvements in drug delivery, improvements that we believe DiffuSphere confers.

Our EP-104GI royalty revenue forecasts are now revised to incorporate esophageal strictures as a key secondary medical market for the drug, with PT/valuation augmentation flowing from that revision. Moving on to how our financial model is impacted by incorporating esophageal strictures as a seminal target market, we incorporate epidemiological data from two sources that Eupraxia itself cited in its 2026 DDW presentation yesterday – these data seem to be sufficiently widely-cited that in our view they represent the best estimate of esophageal stricture prevalence, annual incidence, & dilation procedure volumes for which EP-104GI would likely be indicated.

Exhibit 3. Royalty Revenue Projections For DiffuSphere-Based Injectable Fluticasone Formulations, F2026-to-F2036

Year-end December 31 (US$000, exc per share data)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Eosinophilic esophagitis (EoE), adult, US											
Population, US (000)	344,555,000	346,622,330	348,702,064	350,794,276	352,899,042	355,016,436	357,146,535	359,289,414	361,445,151	363,613,821	365,795,504
EoE, total disease prevalence (000) [1]	490,991	493,937	496,900	499,882	502,881	505,898	508,934	511,987	515,059	518,150	521,259
EoE, prevalence for adult population (000)	417,342	419,846	422,365	424,900	427,449	430,014	432,594	435,189	437,800	440,427	443,070
Proportion of PPI-refractory patients (000)	208,671	209,923	211,183	212,450	213,724	215,007	216,297	217,595	218,900	220,214	221,535
Price per patient (US$), compared to Eohilia [2]	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000
Estimated value of target medical market (US$M) [3]	$5,842,791	$5,877,848	$5,913,115	$5,948,594	$5,984,286	$6,020,191	$6,056,312	$6,092,650	$6,129,206	$6,165,981	$6,202,977
% Market Share	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*2.5%*	*4.0%*	*7.0%*	*12.5%*	*17.5%*	*20.0%*	*22.5%*
Gross revenue, EP-104GI (US$M)	$0	$0	$0	$0	$149,607	$240,808	$423,942	$761,581	$1,072,611	$1,233,196	$1,395,670
Royalty rate on net sales (%)	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
EP-104GI (EoE), US royal rev (US$000)	**$0**	**$0**	**$0**	**$0**	**$37,402**	**$60,202**	**$105,985**	**$190,395**	**$268,153**	**$308,299**	**$348,917**
Eosinophilic Esophagitis (EoE), adult, EU											
Population, EU (000)	454,904,000	459,453,040	464,047,570	468,688,046	473,374,927	478,108,676	482,889,763	487,718,660	492,595,847	497,521,805	502,497,023
EoE, total disease prevalence (000) [1]	159,216	160,809	162,417	164,041	165,681	167,338	169,011	170,702	172,409	174,133	175,874
EoE, prevalence for adult population (000)	135,334	136,687	138,054	139,435	140,829	142,237	143,660	145,096	146,547	148,013	149,493
Proportion of PPI-refractory patients (000)	67,667	68,344	69,027	69,717	70,415	71,119	71,830	72,548	73,274	74,006	74,746
Price per treated patient (€)	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948
Price per patient (US$), compared to Eohilia [2]	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000
Est. value of target medical market (US$M) [3]	$1,894,675	$1,913,622	$1,932,758	$1,952,086	$1,971,607	$1,991,323	$2,011,236	$2,031,348	$2,051,662	$2,072,178	$2,092,900
% Market Share	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*2.5%*	*5.0%*	*7.0%*	*11.0%*	*14.0%*	*17.0%*
Gross EU revenue by partner, EP-104GI (US$000)	$0	$0	$0	$0	$0	$49,783	$100,562	$142,194	$225,683	$290,105	$355,793
Royalty rate on net sales (%)	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
EP-104GI (EoE), EU royal rev (US$000)	**$0**	**$0**	**$0**	**$0**	**$0**	**$12,446**	**$25,140**	**$35,549**	**$56,421**	**$72,526**	**$88,948**
Total EP-104GI (EoE) royal rev (US$000)	**$0**	**$0**	**$0**	**$0**	**$37,402**	**$72,648**	**$131,126**	**$225,944**	**$324,573**	**$380,825**	**$437,866**
Esophageal strictures, adult, US											
Current Population, United States	344,555,000	346,622,330	348,702,064	350,794,276	352,899,042	355,016,436	357,146,535	359,289,414	361,445,151	363,613,821	365,795,504
Esophag strict, estimated prevalence, US [4]	3,870,972	3,894,198	3,917,563	3,941,068	3,964,715	3,988,503	4,012,434	4,036,509	4,060,728	4,085,092	4,109,603
Esophag strict, annual diagnoses, US [5]	521,468	524,597	527,745	530,911	534,097	537,301	540,525	543,768	547,031	550,313	553,615
Proportion of patients requiring dilation (%)	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*
Price per treated patient (US$)	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000
Est. value of target medical market (US$M)	$1,226,494	$1,233,853	$1,241,256	$1,248,703	$1,256,195	$1,263,733	$1,271,315	$1,278,943	$1,286,617	$1,294,336	$1,302,102
% Market Share	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*5.0%*	*7.5%*	*12.5%*	*15.0%*	*20.0%*	*25.0%*	*27.5%*
Gross revenue, EP-104GI (US$000)	$0	$0	$0	$0	$62,810	$94,780	$158,914	$191,841	$257,323	$323,584	$358,078
Royalty rate on net sales (%)	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
EP-104GI (strictures), US royal rev (US$000)	**$0**	**$0**	**$0**	**$0**	**$15,702**	**$23,695**	**$39,729**	**$47,960**	**$64,331**	**$80,896**	**$89,520**
Esophageal strictures, adult, EU											
Current Population, EU	453,102,400	455,821,014	458,555,940	461,307,276	464,075,120	466,859,571	469,660,728	472,478,692	475,313,564	478,165,446	481,034,439
Esophag strict, estimated prevalence, EU	5,090,470	5,121,012	5,151,738	5,182,649	5,213,745	5,245,027	5,276,497	5,308,156	5,340,005	5,372,045	5,404,278
Esophag strict, annual diagnoses, EU	685,750	689,864	694,004	698,168	702,357	706,571	710,810	715,075	719,366	723,682	728,024
Proportion of patients requiring dilation (%)	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*	*8.4%*
Price per treated patient (€)	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948	€ 23,948
Price per treated patient (US$)	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000
Est. value of target medical market (US$M)	$1,612,884	$1,622,561	$1,632,296	$1,642,090	$1,651,943	$1,661,854	$1,671,826	$1,681,857	$1,691,948	$1,702,099	$1,712,312
% Market Share	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*5.0%*	*10.0%*	*15.0%*	*20.0%*	*25.0%*	*30.0%*
Gross EU revenue, EP-104GI (US$000)	$0	$0	$0	$0	$0	$83,093	$167,183	$252,278	$338,390	$425,525	$513,694
Royalty rate on net sales (%)	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
EP-104GI (strictures), EU royal rev (US$000)	**$0**	**$0**	**$0**	**$0**	**$0**	**$20,773**	**$41,796**	**$63,070**	**$84,597**	**$106,381**	**$128,423**
Total EP-104GI (strictures) roy rev (US$000)	**$0**	**$0**	**$0**	**$0**	**$15,702**	**$44,468**	**$81,524**	**$111,030**	**$148,928**	**$187,277**	**$217,943**
Total EP-104GI royalty revenue (US$000)	**$0**	**$0**	**$0**	**$0**	**$53,104**	**$117,116**	**$212,650**	**$336,974**	**$473,502**	**$568,103**	**$655,809**
Knee Osteoarthritis (OA), US											
Current Population, United States	344,555,000	346,622,330	348,702,064	350,794,276	352,899,042	355,016,436	357,146,535	359,289,414	361,445,151	363,613,821	365,795,504
OA, total disease prevalence [6]	15,077,727	15,168,193	15,259,202	15,350,758	15,442,862	15,535,519	15,628,732	15,722,505	15,816,840	15,911,741	16,007,211
OA, no. of eligible EP-104IAR candidates (KL 2-3)	9,046,636	9,100,916	9,155,521	9,210,455	9,265,717	9,321,312	9,377,239	9,433,503	9,490,104	9,547,044	9,604,327
Proportion of physiotherapy/NSAID refractory pts	4,885,183	4,914,495	4,943,982	4,973,645	5,003,487	5,033,508	5,063,709	5,094,092	5,124,656	5,155,404	5,186,336
Price per patient (US$), compared to Zilretta	$2,250	$2,250	$2,250	$2,250	$2,250	$2,250	$2,250	$2,250	$2,250	$2,250	$2,250
Estimated value of target medical market (US$M)	$10,991,663	$11,057,613	$11,123,958	$11,190,702	$11,257,846	$11,325,394	$11,393,346	$11,461,706	$11,530,476	$11,599,659	$11,669,257
% Market Share	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.5%*	*1.0%*	*2.0%*	*3.0%*	*3.5%*	*4.0%*	*4.5%*
Gross US revenue by partner, EP-104IAR (US$000)	$0	$0	$0	$0	$56,289	$113,254	$227,867	$343,851	$403,567	$463,986	$525,117
Royalty rate on net sales (%)	*NA*	*NA*	*NA*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
EP-104IAR (OA), royal revenue (US$000)	**$0**	**$0**	**$0**	**$0**	**$8,443**	**$16,988**	**$34,180**	**$51,578**	**$60,535**	**$69,598**	**$78,767**
Partnership economics (EoE, esophag strict, OA)	$0	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000
Total DiffuSphere-based roy rev (US$000)	**$0**	**$0**	**$0**	**$0**	**$61,548**	**$134,104**	**$246,830**	**$388,552**	**$534,037**	**$637,700**	**$734,576**

[1] *Journal of the American Medical Association (2021). Vol. 326, 1310-1318.*

[2] *Eohilia prescribing information (ViroPharma Biologics, Takeda Pharmaceuticals)*

[3] *Dupixent prescribing information (Sanofi)*

[4] *Clinical Gastroenterology & Hepatology (2024). Vol. 22, pp. 1821-1829*

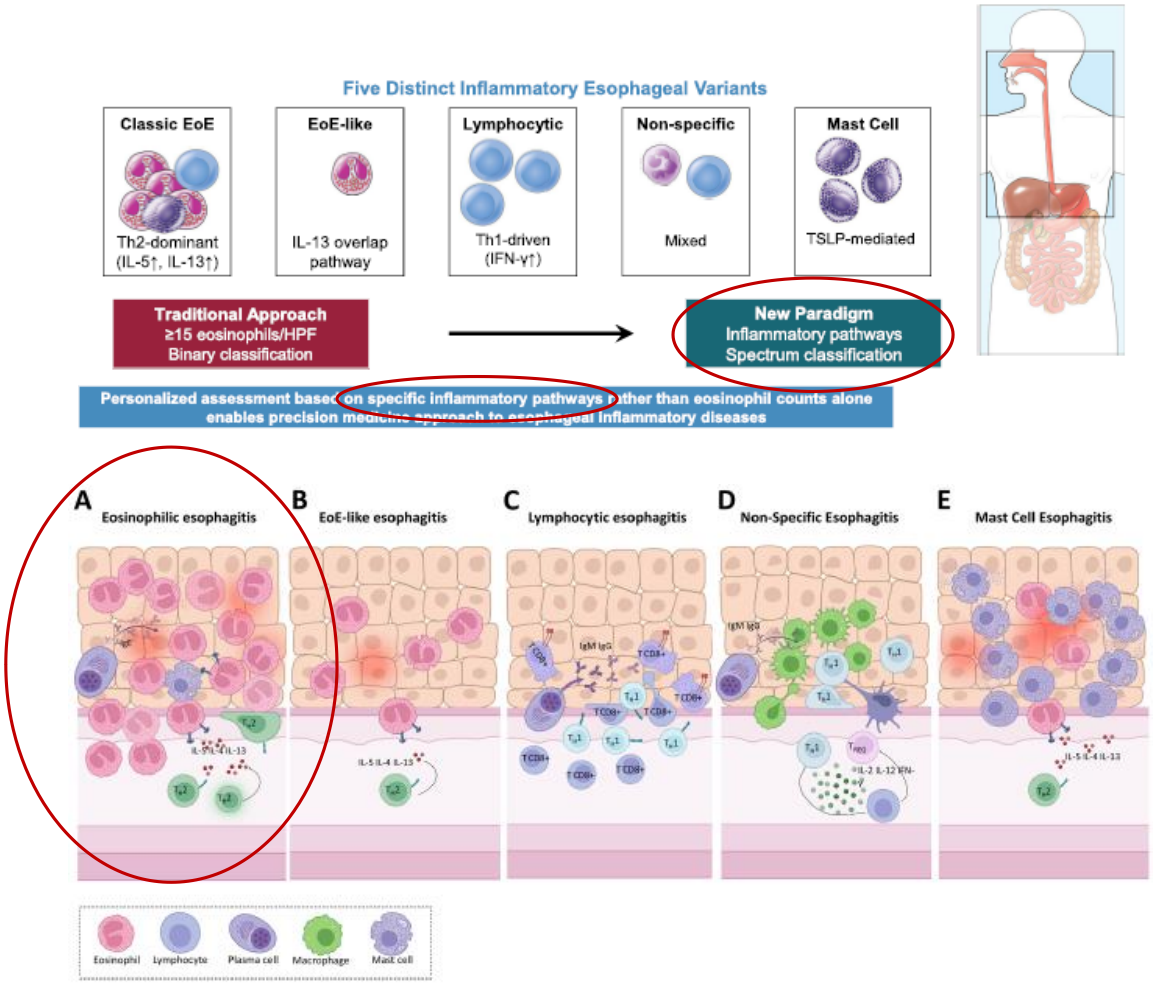
[5] *Gastroenterology (2025). Vol. 169 (Suppl 1), pp. S357-S358*

[6] *Arthritis Care & Research (2023). Vol. 75, pp. 2489-2500*

Source: Leede Financial, epidemiology & other model assumptions as cited above

Interestingly, annual prevalence of esophageal strictures is generally considered to be somewhere within a fairly broad range, based on sourcing two distinct databases based on claims for stricture-based interventions. According to a 2024 study published by a consortium led by University of North Carolina researchers in the journal *Clinical Gastroenterology & Hepatology*, annual prevalence of esophageal strictures based on review of the Merative MarketScan Commercial Claims & Encounters Database (MarketScan; using 2021 data) is 203 cases per 100,000 population while annual prevalence based on 2017 US Medicare claims data is far higher at 1,123 cases per 100,000 population. A separate analysis published in abstract form in 2025 in Gastroenterology by ES Dellon & coworkers (Dr. Dellon was one of the presenters at Eupraxia's DDW forum yesterday) while referring to these data indicated that in 2021, there were 506,102 US patients who were diagnosed with strictures, of which 43,788 patients required at least two mechanical dilations to widen stricture-laden esophageal tissue. Our model will for now assume that this comparatively severe stricture population initially represents the most plausible target market for EP-104GI.

Exhibit 4. Beyond Eosinophils – Redefining The Spectrum Of Esophageal Inflammatory Diseases In A Way That Favors EP-104GI



Source: *Clinical Gastroenterology & Hepatology (2026). Vol. 24, pp. 1220-1231*

Our model will assume that EP-104GI price per annual course of therapy is similar to that which we ascribe to the drug in EoE, using pricing data as before from Takeda's (4502-JP, NR) budesonide oral solution formulation Eohilia as a trough boundary & Sanofi's anti-interleukin-4 receptor mAb dupilumab/Dupixent as a peak boundary in determining a reasonable price point for EP-104GI. The drug's comparative benefits in both EoE & strictures will of course determine where in the Eohilia-Dupixent price range that EP-104GI could equilibrate. With Phase II strictures/EP-104GI testing still yet to commence & study design still awaiting consultation with regulators, timelines to commencing formal clinical testing in this indication are still indeterminate, but clearly there are no limitations based on capital availability that could impede progress into Phase II strictures testing within the next few quarters & perhaps by end-of-FQ426.

Exhibit 5. Publicly Listed Comparables for Eupraxia

Company	Curr	Sym	Shares out (M)	Share price 4-May	Mkt Cap ($M) (curr)	Mkt Cap ($M) (C$)	Ent Val ($M) (curr)	Ent Val ($M) (C$)	Company description
Osteoarthritis Pain / Chronic Pain Therapies									
Anika Therapeutics	USD	ANIK	13.3	$14.85	$198	$268	76	$103	CINGAL is cross-linked viscoelastic hyaluronic acid, approved in Canada; US-based 231-pt Phase III trial is ongoing in knee osteoarthritis; data expected by Nov/21
Assertio Holdings	USD	ASRT	6.5	$18.47	$119	$162	34	$46	Commercial-stage drug delivery pain/CNS-focused; sells diclofenac/CAMBIA & extended-release tapentadol NYCYNTA ER; neuropathic pain drug cebranopadol in clinical testing
Axsome Therapeutics Inc	USD	AXSM	51.4	$206.53	$10,624	$14,436	9,165	$12,453	Disodium zoledronate tetrahydrate formulation AXS-02, an osteoclast inhibitor targeting knee osteoarthritis; 346-pt Phase III trial completed in Sep/17
Camurus AB	SEK	CAMX	60.0	SEK 531	SEK 31,854	$43,284	SEK 33,266	$4,893	CAM2038 is a long-acting subcutaneous buprenorphine for the treatment of chronic pain
Collegium Pharmaceuticals	USD	COLL	32.4	$34.32	$1,112	$1,511	1,891	$2,569	Abuse-deterring extended-release oxycodone Xtampza, based on DETERx wax-based microsphere tchnology, approved in Q216; holds rights to transmucosal fentanyl (Onsolis; BioDelivery Sciences/Collegium)
Elite Pharmaceuticals	USD	ELTP	1,077.0	$0.35	$375	$510	462	$628	Extended-release abuse-deterring bead-based naloxone-containing opioid forms based on ART platform; ANDA for extended-release oxycodone filed in Q317
Heron Therapeutics	USD	HRTX	188.6	$1.27	$240	$326	340	$462	Heron's bupivacaine-meloxicam formulation HTX-011/ZYNRELEF is FDA-approved for post-surgical pain
Omeros Corp	USD	OMER	72.2	$15.06	$1,087	$1,477	1,454	$1,975	Diversified portfolio, but GPCR-targeted pipeline has pain candidates (MRGE); FDA-approved Omidria (phenylephrine-ketorolac intraocular solution) targets post-ocular surgery (cataract removal) pain
Orexo AB	SEK	ORX	35.1	SEK 19	SEK 662	$900	SEK 624	$848	Markets Abstral (sublingual fentanyl) for breakthrough cancer pain; acute pain drug OX51 and opioid dependence/pain drug OX382 in Phase I/II testing
Pacira Biosciences	USD	PCRX	39.3	$24.44	$962	$1,307	1,198	$1,628	DepoFoam liposome platform; lead drug is FDA-approved anesthetic Exparel (injectible bupivacaine)
Eosinophilic Esophagitis / Autoimmune & Inflammatory Therapies									
Kyverna Therapeutics	USD	KYTX	60.5	$8.87	$537	$730	376	$511	CAR-T therapies for autoimmune diseases, lead KYV-101 in Phase II trials for multiple B cell-based pathologies
Kymera Therapeutics, Inc.	USD	KYMR	82.3	$80.71	$6,639	$9,021	5,730	$7,786	STAT6 degraders for Th2-mediated conditions, IRAK4 inhibitors for inflammatory diseases, and IRF5 degraders for rheumatic and autoimmune diseases.
Nektar Therapeutics	USD	NKTR	33.7	$86.46	$2,917	$3,964	1,860	$2,527	Rezpegaldesleukin is a regulatory T cell stimulator developed for Atopic Dermatitis, recent success in phase 2b trial
Recently Acquired Peer Firms									
Flexion Therapeutics	USD	Acquired by Pacira Biosciences in Oct/21			$430	$584			Zilretta (FX-006) , FDA approved extended release polymer- based bead containing triamcinolone for knee osteoarthritis
Horizon Therapeutics	USD	Acquired by Amgen in Oct/23			$27,800	$37,775			Sells topical diclofenac (Pennsaid 2%); naproxen-eso-meprazole (Vimovo) & ibuprofen-famotidine (Duexis); EV based on FQ422 balance sheet data
Average						**$6,161**		**$2,825**	
Eupraxia Pharmaceuticals	USD	EPRX	60.4	$7.89	$477	$648	328	$445	Injectible extended-release drug delivery modality Diffu-Sphere; fluticasone propionate delivery initially tested in knee osteoarthritis pain & eosinophilis esophagitis

Source: Leede Financial

Timelines to completing Phase III testing in esophageal stricture mitigation is thus still a bit of a sliding scale but our model will assume that pivotal data could be generated by FH229 & FDA regulatory review could conclude by FH230, with timelines to EMA approval/launch assumed to transpire one fiscal year later on both metrics. As with EP-104GI, our model assumes that Eupraxia will generate royalty revenue from future partners (possibly though not necessarily one of the global pharma firms that currently target esophageal disease with pharmacologic intervention, so Sanofi or Takeda specifically, though historically GI-focused AstraZeneca [AZN-LN-NR] seems like a plausible partner-of-interest as well). Our 25% royalty rate is at a level that assumes tangible interest from cash-contributing partners could materialize while EP-104GI is well-advanced in one or more Phase III GI programs, with upward royalty-creep possible if partnership economics are established either during or after FDA review. Acquisitive interest is somewhere between plausible-to-probable over the same time frame.

Summary & valuation. Upon incorporating stricture-based financial metrics for EP-104GI into our EPRX model, our EP-104GI royalty revenue forecasts & the profitability metrics (adjusted EBITDA/fd EPS) that flow from those forecasts are as summarized in Exhibits 1 & 3. With reference to Exhibits 1 & 3 specifically, we still project that EP-104GI could be independently FDA-approved by FH230 for both EoE & esophageal strictures, with separate royalty revenue contribution from EP-104IAR in knee osteoarthritis pain but with that revenue based on the assumption that cash-contributing co-development partners can be identified to drive Phase II knee osteoarthritis pain testing forward by end-of-F2027. This timeline is more fluid in our view than EP-104GI's partnership timelines & it is thus plausible that EP-104IAR's impact on valuation could be correspondingly fluid in coming quarters.

As shown in Exhibit 1, we project F2030 royalty revenue of US$61.5M & consolidated revenue (which includes notional partnership-based milestone payments, offset by royalties paid to innovator Auritec [private]) of US$74.1M, increasing to US$134.1M/US$143.7M in F2031 & to US$246.8M/US$252.0M in F2032, which we now use as the reference year in our EBITDA/fd EPS-based valuation methodologies. Our model separately assumes that Eupraxia can be EBITDA/fd EPS-positive by F2030, during which we project EBITDA/fd EPS of US$28.4M/US$0.25/shr, increasing to US$111.8M/US$0.94/shr in F2031 & to US$220.2M/US$1.95/shr in F2032. Our projections on these metrics out to F2036 are as shown in Exhibits 1-to-3, as cited above.

For our valuation, we still base our PT on the average of three distinct methodologies – a NPV determination using a discount rate of 20% that is perhaps a bit aggressive when considering that EP-104IAR & EP-104GI are still Phase II assets, but less so in our view when considering data quality & clinical risk mitigation by that data already achieved in two high-profile inflammation-based medical markets - & multiples of our F2032 EBITDA/fd EPS forecast as indicated above. Our EV calculation incorporates fd S/O of 84.6M & pro forma cash of US$149.4M (the firm has no LT debt) without yet giving effect to the high likelihood that another US$10.2M in warrant-exercise capital was generated on or before mid-Apr/26 (3.4M residual warrants with strike price of US$3.00/warrant expired on April 20th).

Taking the average of these three calculations gives us a one-year PT for EPRX of US$15.53, which we round to US$15.50. At current price levels, our revised PT corresponds to a one-year return of 96.5%. On the milestone watch, we are clearly still focused on partnership status of EP-104IAR, on advances for the still-active Phase II RESOLVE trial for which a go-forward EP-104GI dose/injection frequency in EoE is now established in our view or is about to be, & nailing down this key PK detail should be foundational to driving ahead with Phase II esophageal stricture clinical testing in coming quarters.

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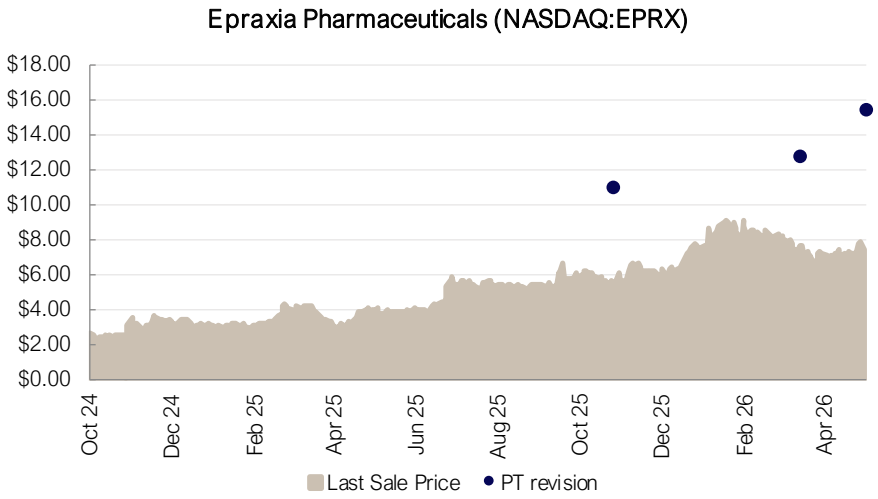
Buy	9	56%
Speculative Buy	5	32%
Hold	1	6%
Sell	-	-
Tender	-	-
Under Review	1	6%

Historical Target Price



Date	Target ($)	Rating
29 Oct 2025	US$11.00	Buy
17 Mar 2026	US$12.75	Buy
5 May 2026	US$15.50	Buy

Coverage Initiated: Oct 29, 2025

Data sourced from: Refinitiv