

Corcept Therapeutics (CORT)

\$14.04 (As of 02/10/20)

Price Target (6-12 Months): **\$15.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/04/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:A

Value: C

Growth: A

Momentum: A

Summary

Corcept is making good progress with its Cushing's syndrome drug Korlym. The drug has witnessed higher sales and strong uptake since its approval. Korlym's label expansion programs are also promising and should boost its commercial potential in future quarters. Corcept's most advanced candidate relacorilant is currently under evaluation in a phase III study for Cushing's syndrome. The successful development of its pipeline candidates will further boost the company's growth and lead to increased sales. However, Corcept is solely dependent on Korlym for growth. A decline in Korlym sales will hinder the company's growth prospects in the future. Shares have outperformed the industry in the past year. Estimates look mixed ahead of Q4 earnings release. Corcept has a positive record of earnings surprises in recent quarters.

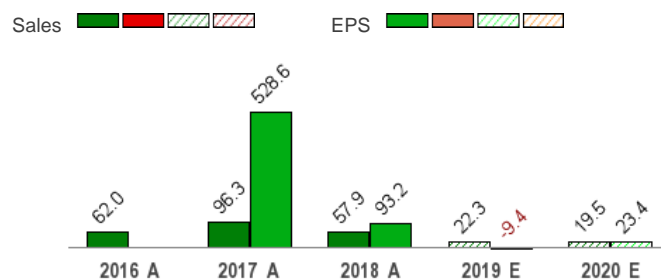
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$17.48 - \$9.55
20 Day Average Volume (sh)	757,983
Market Cap	\$1.6 B
YTD Price Change	16.0%
Beta	1.25
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Drugs
Zacks Industry Rank	Top 35% (89 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	15.8%
Last Sales Surprise	5.1%
EPS F1 Est- 4 week change	-3.7%
Expected Report Date	02/24/2020
Earnings ESP	6.4%
P/E TTM	15.4
P/E F1	14.8
PEG F1	NA
P/S TTM	5.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	88 E	91 E	94 E	96 E	367 E
2019	65 A	72 A	82 A	88 E	307 E
2018	58 A	62 A	64 A	67 A	251 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.20 E	\$0.20 E	\$0.20 E	\$0.19 E	\$0.95 E
2019	\$0.20 A	\$0.25 A	\$0.22 A	\$0.24 E	\$0.77 E
2018	\$0.19 A	\$0.20 A	\$0.22 A	\$0.24 A	\$0.85 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/10/2020. The reports text is as of 02/11/2020.

Overview

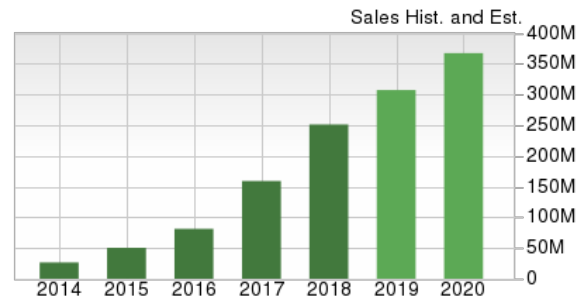
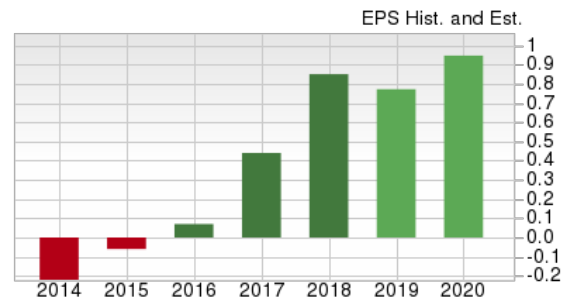
Menlo Park, CA-based Corcept is focused on the discovery, development and commercialization of drugs for the treatment of severe metabolic, psychiatric and oncology disorders which are associated with the activity of the hormone cortisol, also known as the stress hormone.

Corcept's only marketed drug, Korlym (mifepristone), is approved for the once-daily oral treatment of hyperglycemia secondary to hypercortisolism in adult patients with endogenous Cushing's syndrome, suffering from type II diabetes or glucose intolerance and who have failed surgery or are not suitable for surgery. The drug was launched in Apr 2012. Korlym recorded sales of \$251.2 million in 2018.

The company is conducting a phase I/II study on Korlym, in combination with Merck's Keytruda (pembrolizumab) for the treatment of treat patients with advanced HER2-negative and triple-negative breast cancer (TNBC). Several other label expansion studies on Korlym are also currently under evaluation.

Other candidates in the company's pipeline include CORT125134 (relacorilant), exicorilant (formerly CORT125281) and miricorilant (formerly CORT118335).

The company's revenues in 2018 summed \$251.2 million, up 57.7% year over year.



Reasons To Buy:

▲ **Share Price Movement:** Shares of Corcept have outperformed the industry in the past year.

▲ **Promising Growth Prospects for Korlym:** Corcept's lead drug Korlym approved for treating Cushing's syndrome has been a consistent revenue driver since its approval. The company increased the size of its sales force significantly and is targeting Cushing's disease patients who would benefit from the drug but are yet to be on the medication. Korlym enjoys orphan drug designation in the United States and Europe for addressing endogenous Cushing's syndrome. Revenues are rising as more physicians are prescribing Korlym to patients. Moreover, patients taking Korlym successfully overcame the insurance reauthorization hurdle faced in first-quarter 2019 and the number of patients receiving Korlym and physicians prescribing the medicine increased during the first half of 2019.

Korlym's growth prospects look promising. Corcept's efforts on label expansion of the drug are also encouraging and bode well for long-term growth.

▲ **Label Expansion of Korlym:** Corcept is currently working on developing Korlym for additional indications. We expect a successful label expansion of Korlym to boost the top line significantly, as the disease represents huge potential in the United States. Korlym is also being combined with Merck's Keytruda for treating patients with advanced HER2-negative and triple-negative breast cancer (TNBC). Meanwhile, the University of Chicago is conducting a phase II study on Korlym, in combination with Xtandi, for the treatment of metastatic, castration-resistant prostate cancer (CRPC). The institution is also conducting a phase II study on Korlym, in combination with Abraxane, for the treatment of patients with TNBC. The study will be conducted in collaboration with Corcept and Celgene.

Corcept has exclusive licensed patents from the University of Chicago covering the use of its cortisol modulator Korlym combined with anticancer agents to treat TNBC and CRPC.

▲ **Other Compounds in Development:** Corcept is evaluating CORT125134 in phase II for the treatment of Cushing's syndrome. The international and United States regulatory authorities have given CORT125134 its generic name relacorilant.

Corcept dosed the first patient in the phase III GRACE study of relacorilant to treat Cushing's syndrome. The GRACE study is being conducted to confirm relacorilant's positive phase II results and provide the basis for its approval in the United States and Europe. The company plans to submit a new drug application (NDA) for relacorilant in the fourth quarter of 2021. Both the FDA and the EMA designated relacorilant as an Orphan Drug for the treatment of Cushing's syndrome. Corcept plans to start a placebo-controlled study of relacorilant in the first quarter of 2020 in patients whose Cushing's syndrome is caused by adrenal adenoma.

A phase II probe on relacorilant plus Abraxane is currently underway for treating ovarian cancer. The company plans to enroll 180 patients across the United States and Europe. It also plans to start a phase III study on the same combo for treating metastatic pancreatic cancer and is seeking the FDA support to be able to gain the fastest nod for the indication. The European Commission granted relacorilant an orphan drug designation for treating pancreatic cancer.

Corcept is advancing its selective cortisol modulator exicorilant, formerly CORT125281, as a treatment for patients with metastatic castration-resistant prostate cancer. Corcept is dosing patients in its phase I/II study of exicorilant, a combined regime with Pfizer's Xtandi, to treat patients afflicted with metastatic castration-resistant prostate cancer.

Corcept's lead compound for metabolic disorders is miricorilant, formerly known as CORT118335. In November 2019, the company announced positive top-line results from the phase Ib study on miricorilant for the reduction of weight-gain caused by antipsychotic. Moreover, Corcept is conducting a phase II study on miricorilant for addressing the reversal of antipsychotic-induced weight gain. The company is also advancing miricorilant as a treatment for NASH and plans to initiate a phase II study in 2020 for the same.

Approval of these candidates is key to long-term growth at Corcept, given the lucrative market that it targets

Reasons To Sell:

▼ **Dependence on Korlym for Growth:** Corcept is solely dependent on Korlym for revenues. A decline in Korlym sales will largely hinder the company's growth prospects. Notably, Korlym faces stiff competition from Novartis' drug Signifor, approved for the treatment of adult patients with Cushing's disease, who are not candidates for pituitary surgery or for whom, surgery failed. In July 2019, Novartis sold worldwide rights to Signifor to the Italian pharmaceutical company Ricordati S.p.A. This competition has been quite a drag as Corcept is heavily reliant on Korlym for growth. Moreover, Strongbridge Biopharma's cortisol synthesis inhibitor levoketoconazole received an orphan drug designation in the United States and the EU to treat Cushing's syndrome.

The company's dependence on a single product for growth is concerning. Moreover, the pipeline is too early-stage to get excited about.

▼ **Setback for Korlym:** Corcept's efforts to expand Korlym's label received a setback in May 2014, when it announced that it discontinued a late-stage study on Korlym for the treatment of psychotic depression. This came on the heels of an interim analysis that revealed that the study failed to meet its primary endpoint. Thereafter, the Independent Data Monitoring Committee declared that the study was unlikely to generate a statistically significant result even after full enrollment. Similar setbacks will be detrimental to the company's growth prospects.

Last Earnings Report

Corcept Earnings Beat in Q3, Korlym Boosts Sales

The company reported third-quarter 2019 earnings of 22 cents per share, surpassing the Zacks Consensus Estimate of 19 cents and also the year ago quarter's figure of 14 cents.

Additionally, earnings included the impact of stock-based compensation and the utilization of deferred tax assets. Taking this into account, adjusted earnings came in at 31 cents per share compared with 22 cents in the year-ago quarter.

Revenues in the reported quarter rose 26.6% from the prior-year period to \$81.5 million, primarily backed by higher sales and the strong uptake of Corcept's Cushing's syndrome drug Korlym. Sales also beat the Zacks Consensus Estimate of \$78 million.

Research and development expenses increased 20.6% to \$22.8 million. Selling, general and administrative expenses also escalated 13.6% to \$24.2 million.

Pipeline Update

Corcept's lead candidate relacorilant is being evaluated in the phase III GRACE study to treat Cushing's syndrome. Dosing is currently ongoing in the above-mentioned study at sites across the United States, Canada and Europe.

Earlier, Cushing's syndrome patients in a phase II study exhibited meaningful improvements in glucose control and hypertension. The GRACE study is being conducted to confirm relacorilant's positive phase II results and provide the basis for its approval in the United States and Europe. The company plans to submit an NDA for relacorilant in the fourth quarter of 2021.

Corcept plans to commence a placebo-controlled study of relacorilant in the first quarter of 2020 in patients whose Cushing's syndrome is caused by adrenal adenoma.

This apart, a phase II study on relacorilant and Celgene's Abraxane is currently underway for the treatment of ovarian cancer. Enrolment of patients in the same is on. Corcept also plans to start a phase III study on the same combo for metastatic pancreatic cancer and is seeking an FDA guidance regarding the fastest path to approval for that indication.

Corcept announced positive top-line results from the phase Ib study on another candidate called miricorilant for the reduction of weight-gain caused by antipsychotic. Data from the study showed that at the first dose level, healthy patients who received the combo of Eli Lilly's Zyprexa (olanzapine) and miricorilant gained less weight compared to those who received olanzapine + placebo.

Corcept is also advancing miricorilant as a treatment for NASH, a serious and widespread liver disorder, and plans to initiate a double-blind, placebo-controlled phase II study in 2020.

2019 Guidance

Corcept narrowed the lower end of its revenue guidance for 2019. The company now expects the same in the range of \$300-\$315 million compared with the previous view of \$285-\$315 million.

Quarter Ending **09/2019**

Report Date	Nov 07, 2019
Sales Surprise	5.05%
EPS Surprise	15.79%
Quarterly EPS	0.22
Annual EPS (TTM)	0.91

Recent News

Announces 2019 Preliminary Results and 2020 Guidance – Jan 30

Corcept announced preliminary results for the fourth quarter of 2019 as well as the full year. The company also provided revenue guidance for 2020.

Preliminary Results

Preliminary revenue for fourth quarter 2019 was \$87.9 million, reflecting an increase of 32% from the prior year quarter figure. For full year 2019, the company reported preliminary revenue of \$306.5 million, a surge of 22% from 2018.

2020 Guidance

For 2020, Corcept expects revenue in the range of \$355-\$375 million. The Zacks Consensus Estimate stands at \$354.1 million.

Appoints New Board of Director – Sep 18

Corcept announced that it has appointed Ms. Kimberly Park as its new board of director.

Valuation

Corcept's shares are up 16% in the year-to-date period and 20.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are up 1.6% and 1.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 0.2% while the sector is up 3.5%.

The S&P 500 index is up 4% in the year-to-date period and up 21.2% in the past year.

The stock is currently trading at 5.99X trailing 12-month sales per share, which compares to 3.42X for the Zacks sub-industry, 3.18X for the Zacks sector and 4.01X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.63X and as low as 4.69X, with a 5-year median of 10.82X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$15.00 price target reflects 6.39X trailing 12-month sales per share.

The table below shows summary valuation data for CORT

Valuation Multiples - CORT					
		Stock	Sub-Industry	Sector	S&P 500
P/S TTM	Current	5.99	3.42	3.18	4.01
	5-Year High	22.63	4.22	4.17	4.01
	5-Year Low	4.69	2	2.7	2.49
	5-Year Median	10.82	2.65	3.28	3.14
P/B TTM	Current	4.8	1.65	4.62	4.32
	5-Year High	72.98	13.13	5.04	4.42
	5-Year Low	N/A	0.97	3.44	2.85
	5-Year Median	21.42	2.54	4.31	3.62

As of 02/10/2020

Industry Analysis Zacks Industry Rank: Top 35% (89 out of 255)



Top Peers

Bristol-Myers Squibb Company (BMY)	Outperform
Pfizer Inc. (PFE)	Outperform
AbbVie Inc. (ABBV)	Neutral
Johnson & Johnson (JNJ)	Neutral
Novartis AG (NVS)	Neutral
Strongbridge Biopharma PLC (SBBP)	Neutral
Spectrum Pharmaceuticals, Inc. (SPPI)	Neutral
Gilead Sciences, Inc. (GILD)	Underperform

Industry Comparison Industry: Medical - Drugs				Industry Peers		
	CORT Neutral	X Industry	S&P 500	BMY Outperform	NVS Neutral	SBBP Neutral
VGM Score	A	-	-	A	B	F
Market Cap	1.60 B	111.67 M	24.17 B	109.02 B	223.27 B	177.79 M
# of Analysts	6	2	13	4	5	3
Dividend Yield	0.00%	0.00%	1.77%	2.69%	1.89%	0.00%
Value Score	C	-	-	B	B	D
Cash/Price	0.15	0.27	0.04	0.30	0.05	0.44
EV/EBITDA	14.86	-2.12	13.89	15.27	15.01	1.88
PEG Ratio	NA	1.25	2.05	1.31	2.14	NA
Price/Book (P/B)	4.77	3.12	3.27	6.14	4.02	2.23
Price/Cash Flow (P/CF)	21.43	10.32	13.60	11.89	12.48	3.92
P/E (F1)	14.51	15.86	19.00	11.02	17.10	NA
Price/Sales (P/S)	5.62	5.88	2.66	4.17	4.71	8.62
Earnings Yield	6.77%	-14.29%	5.26%	9.07%	5.85%	-21.65%
Debt/Equity	0.00	0.03	0.71	1.37	0.40	0.00
Cash Flow (\$/share)	0.66	-0.61	6.89	5.63	7.80	0.84
Growth Score	A	-	-	A	C	F
Hist. EPS Growth (3-5 yrs)	200.22%	7.74%	10.85%	20.53%	0.76%	NA
Proj. EPS Growth (F1/F0)	22.68%	17.54%	7.22%	29.48%	8.70%	28.62%
Curr. Cash Flow Growth	43.98%	13.56%	8.88%	28.20%	4.27%	-181.37%
Hist. Cash Flow Growth (3-5 yrs)	30.76%	8.38%	8.36%	20.89%	7.11%	56.10%
Current Ratio	8.25	3.65	1.22	3.83	1.04	4.24
Debt/Capital	0.00%	7.89%	42.90%	57.87%	28.42%	0.00%
Net Margin	30.41%	-116.06%	11.81%	13.15%	24.73%	211.37%
Return on Equity	29.08%	-67.23%	16.98%	48.97%	23.39%	45.77%
Sales/Assets	0.86	0.29	0.54	0.53	0.39	0.14
Proj. Sales Growth (F1/F0)	16.83%	10.38%	4.06%	60.37%	6.74%	35.39%
Momentum Score	A	-	-	C	B	C
Daily Price Chg	3.54%	0.00%	0.45%	1.00%	1.66%	-2.67%
1 Week Price Chg	7.02%	0.40%	2.47%	5.24%	1.40%	14.82%
4 Week Price Chg	12.50%	0.00%	0.95%	1.15%	3.96%	47.08%
12 Week Price Chg	-16.48%	6.74%	5.05%	16.06%	7.85%	123.13%
52 Week Price Chg	23.37%	-22.30%	16.18%	33.55%	10.55%	-30.36%
20 Day Average Volume	757,983	185,392	1,999,386	14,066,202	2,045,734	557,791
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	1.55%	0.18%	0.00%
(F1) EPS Est 4 week change	-3.73%	0.00%	0.00%	0.79%	0.46%	0.00%
(F1) EPS Est 12 week change	-3.73%	0.00%	-0.18%	13.41%	-1.32%	0.00%
(Q1) EPS Est Mthly Chg	14.71%	0.00%	0.00%	-0.22%	NA	NA

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	A
Momentum Score	A
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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