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Feb 25, 2020

Corcept Therapeutics (CORT)

$13.29 (As of 02/24/20)

Price Target (6-12 Months): **$14.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 02/04/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**4-Sell**
	Zacks Style Scores:	VGM:A
	Value: C | Growth: A	Momentum: C

Summary

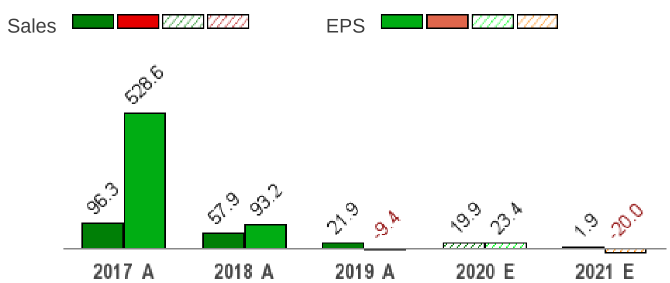
Corcept reported in-line sales and earnings in the fourth quarter of 2020. The company is making considerable progress with its Cushing's syndrome drug, Korlym. The drug has witnessed higher sales and strong uptake since its approval. Korlym's label expansion programs are promising and should boost its commercial potential in the coming 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 prospects . Its shares have undertperformed the industry in the past year.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$17.48 - $9.55**
20 Day Average Volume (sh)	**847,317**
Market Cap	**$1.5 B**
YTD Price Change	**9.8%**
Beta	**1.25**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Medical - Drugs**
Zacks Industry Rank	**Top 38% (97 out of 255)**
Last EPS Surprise	**0.0%**
Last Sales Surprise	**-0.0%**
EPS F1 Est- 4 week change	**-3.7%**
Expected Report Date	**05/14/2020**
Earnings ESP	**12.8%**
P/E TTM	**14.6**
P/E F1	**14.0**
PEG F1	**NA**
P/S TTM	**5.0**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					374 E
2020	88 E	91 E	94 E	96 E	367 E
2019	65 A	72 A	82 A	88 A	306 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					$0.76 E
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 A	$0.77 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 02/24/2020. The reports text is as of 02/25/2020.

Overview

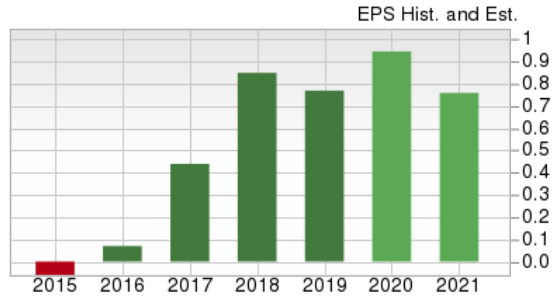
Menlo Park, CA-based Corcept is focused on the discovery, development and commercialization of drugs for the treatment of severe metabolic, psychiatric and oncology disorders which are associated with the activity of the hormone cortisol, also known as the stress hormone.

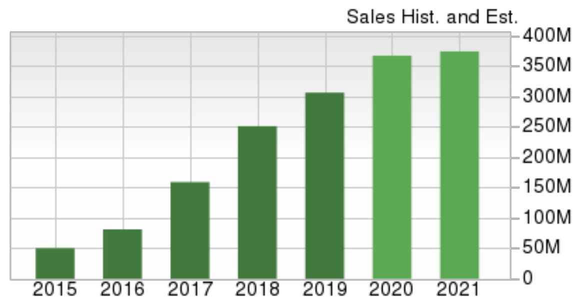
Corcept's only marketed drug, Korlym (mifepristone), is approved for the once-daily oral treatment of hyperglycemia secondary to hypercortisolism in adult patients with endogenous Cushing's syndrome, suffering from type II diabetes or glucose intolerance and who have failed surgery or are not suitable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

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 2019 summed $306.5 million, up 22% year over year.





Reasons To Buy:

> 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.

▲ **Share Price Movement:** Shares of Corcept have increased 13.29 in the past year compared with the industry's 21.77% rally.

▲ **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.

▲ **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 Bristol Myers Squibb.

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 phase III study (GRADIENT) of relacorilant in the first quarter of 2020 for 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 is enrolling patients in the United States and Europe and is on track to produce results in first-half 2021. It also plans to start a phase III study on the same combo for treating metastatic pancreatic cancer in the second quarter of 2021 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.

It also expects to start phase Ib study of relacorilant plus the immunotherapeutic agent Merck's Keytruda (pembrolizumab) to treat patients with metastatic or unresectable adrenocortical cancer in second-quarter 2020.

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 antipsychotic-induced weight gain (APIWG). Moreover, Corcept is conducting a phase II study on miricorilant for addressing the reversal of antipsychotic-induced weight gain. The company is also conducting phase II study of miricorilant to reverse long-standing APIWG. The treatment of patients with non-alcoholic steatohepatitis (NASH) is planned to start in fourth-quarter 2020.

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

Reasons To Sell:

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

- **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.

- **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 Q4 Earnings In Line With Estimates, Up Y/Y

Quarter Ending	12/2019
Report Date	Feb 20, 2020
Sales Surprise	-0.01%
EPS Surprise	0.00%
Quarterly EPS	0.24
Annual EPS (TTM)	0.91

Corcept reported fourth-quarter 2019 earnings of 24 cents per share, in line with the Zacks Consensus Estimate. The bottom line improved from the year-ago figure of 18 cents per share.

Taking into account the impact of stock-based compensation and utilization of deferred tax assets, adjusted earnings came in at 33 cents per share compared with 24 cents in the year-ago quarter.

Revenues in the reported quarter rose 32% from the prior-year period to $87.9 million, primarily backed by higher sales and the strong uptake of Corcept's Cushing's syndrome drug Korlym. Sales were almost in line with the Zacks Consensus Estimate of $88 million.

Research and development expenses increased 29.4% from the prior-year quarter to $24.3 million. Selling, general and administrative expenses also increased 25.8% from the year-ago quarter to $27.1 million.

2019 Results

The company's adjusted earnings came in at $1.09 per share compared with 85 cents in 2018.

Its revenues were $306.5 million, reflecting an increase of 22% year over year.

2020 Guidance

Corcept reiterated its 2020 revenue guidance of $355-375 million as announced in January 2020, when it released fourth-quarter 2019 preliminary results.

Pipeline Update

Corcept's phase II study on its lead candidate relacorilant — which is being evaluated along with nab-paclitaxel to treat metastatic ovarian cancer — is actively enrolling patients at sites in the United States and Europe, and is on track to produce results in first-half 2021.

The company expects to start the phase III study trial of relacorilant plus nab-paclitaxel to treat patients with metastatic pancreatic cancer in second-quarter 2020.

It also expects to start phase Ib study of relacorilant plus the immunotherapeutic agent Merck's Keytruda (pembrolizumab) to treat patients with metastatic or unresectable adrenocortical cancer in second-quarter 2020.

The company's phase III study (GRADIENT) of relacorilant to treat patients with Cushing's syndrome caused by adrenal adenomas is expected to start in first-quarter 2020.

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 9.81% in the year-to-date period and 10.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are down 2.9% and 1.4%in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 7% while the sector is down 1.6%. 56.62%.

The S&P 500 index is up 0.1% in the year-to-date period and up 14.6% in the past year.

The stock is currently trading at 5.32X trailing 12-month sales per share, which compares to 3.27X for the Zacks sub-industry, 3.10X for the Zacks sector and 3.58X 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 10.74X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $14.00 price target reflects 5.60X 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	5.32	3.27	3.1	3.58
	5-Year High	22.63	4.23	4.16	3.77
	5-Year Low	4.69	2.01	2.73	2.51
	5-Year Median	10.74	2.66	3.27	3.17
P/B TTM	Current	4.54	1.57	4.48	4.66
	5-Year High	72.98	13.15	5.05	4.9
	5-Year Low	N/A	0.97	3.44	2.85
	5-Year Median	21.42	2.53	4.32	3.62

As of 02/24/2020

Industry Analysis **Zacks Industry Rank:** Top 38% (97 out of 255)

Top Peers

Pfizer Inc. **(PFE)**	Outperform
AbbVie Inc. **(ABBV)**	Neutral
Bristol-Myers Squibb Company **(BMY)**	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 Neutral	NVS Neutral	SBBP Neutral
VGM Score	A	-	-	A	B	D
Market Cap	1.52 B	110.68 M	23.50 B	104.23 B	206.45 B	166.41 M
# of Analysts	6	2	13	5	5	3
Dividend Yield	0.00%	0.00%	1.83%	2.81%	2.05%	0.00%
Value Score	C	-	-	B	B	D
Cash/Price	0.15	0.26	0.04	0.30	0.05	0.45
EV/EBITDA	13.93	-1.86	13.56	14.55	13.93	1.66
PEG Ratio	NA	0.66	2.02	1.24	1.84	NA
Price/Book (P/B)	4.52	3.11	3.20	5.87	3.72	2.09
Price/Cash Flow (P/CF)	20.29	10.59	13.05	11.37	11.54	3.67
P/E (F1)	14.09	15.77	18.56	10.50	15.67	NA
Price/Sales (P/S)	4.96	5.45	2.60	3.99	4.35	8.07
Earnings Yield	7.15%	-14.57%	5.38%	9.52%	6.38%	-23.13%
Debt/Equity	0.00	0.03	0.70	1.37	0.40	0.00
Cash Flow ($/share)	0.66	-0.59	7.03	5.63	7.80	0.84
Growth Score	A	-	-	A	C	F
Hist. EPS Growth (3-5 yrs)	174.79%	5.25%	10.85%	20.53%	0.76%	NA
Proj. EPS Growth (F1/F0)	22.94%	17.70%	6.90%	29.94%	9.73%	28.62%
Curr. Cash Flow Growth	43.98%	13.41%	6.78%	28.20%	4.27%	-181.37%
Hist. Cash Flow Growth (3-5 yrs)	30.76%	8.32%	8.38%	20.89%	7.11%	56.10%
Current Ratio	8.25	3.58	1.22	3.83	1.04	4.24
Debt/Capital	0.00%	7.80%	42.37%	57.87%	28.42%	0.00%
Net Margin	30.73%	-110.57%	11.57%	13.15%	24.73%	211.37%
Return on Equity	30.77%	-63.94%	16.80%	48.97%	23.39%	45.77%
Sales/Assets	0.91	0.29	0.55	0.53	0.39	0.14
Proj. Sales Growth (F1/F0)	17.12%	9.10%	4.03%	59.81%	6.74%	35.39%
Momentum Score	C	-	-	A	A	A
Daily Price Chg	-2.21%	-2.67%	-2.98%	-2.53%	-6.90%	-5.83%
1 Week Price Chg	1.87%	0.00%	-0.94%	-1.13%	-0.89%	-0.91%
4 Week Price Chg	0.42%	-1.71%	-0.94%	0.42%	-3.86%	3.02%
12 Week Price Chg	1.45%	0.44%	1.75%	11.43%	-1.48%	65.95%
52 Week Price Chg	15.67%	-26.55%	10.97%	26.30%	-1.12%	-37.85%
20 Day Average Volume	847,317	173,698	2,001,782	11,260,905	1,873,171	348,285
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-3.73%	0.00%	-0.05%	1.62%	1.52%	0.00%
(F1) EPS Est 12 week change	-3.73%	0.00%	-0.21%	3.08%	0.31%	0.00%
(Q1) EPS Est Mthly Chg	14.71%	0.00%	-0.49%	-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	C
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.

Disclosures

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