

INITIATING COVERAGE

Equity | Healthcare/ Biopharma

Sunshine Biopharma Inc.
(NASDAQ:SBFM; Target Price: \$3.00)

Investing in development stage biopharma companies is usually a high-risk high-return kind of proposition that can end up providing multi-bagger returns if the company's research is successful. Investors are usually on the lookout for investing in biopharma players with diversified pipelines and decent liquidity to fund their research. The diversified pipelines usually help mitigate the risk as there is a good chance at least one of the candidates of the company has some success in clinical trials. Sunshine Biopharma is one such high-potential development stage biopharma company making excellent progress in its oncological research as well as anti-Covid research. The company also happens to have an active revenue stream in the form of dietary supplement tablets.

INVESTMENT THESIS

This is our first report on Sunshine Biopharma and we look to provide a detailed account of the various drivers that will be responsible for the company's growth in the coming years. Sunshine Biopharma has a diversified portfolio of candidates and an active revenue stream and its up-listing to the Nasdaq has led to a definite increase in the volumes. Its Essential 9 offering has a lot of revenue potential and could easily generate over \$1 million in 2022 and over \$5 million in 2023 given its strong value proposition. The profits from this business can fund the company's anti-cancer and anti-viral research. On the research front as well, we anticipate tangible progress in Sunshine Biopharma's key research areas, particularly on the Covid-19 front. We foresee a strong potential with respect to the commercialization of its candidates, within the next two years. Overall, we believe that Sunshine Biopharma is an excellent investment prospect in the biopharma space given its ongoing revenue stream of science-based nutrition coupled with the solid anti-viral and anti-cancer drug research. Baptista Research looks to evaluate the different factors that could influence Sunshine Biopharma' price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

COMPANY OVERVIEW

Sunshine Biopharma, Inc. is a biopharma company specializing in oncology and antiviral drug research, development, and commercialization. The company is working on two main candidates – the Adva-27a, a GEM-difluorinated C-glycoside by-product of Podophyllotoxin and SBFM-PL4, an anti-coronavirus treatment compound. Adva-27a is looking to treat several issues, including leukaemia, lymphoma, lung, brain, testicular, prostate, urinary bladder, colon, ovarian, liver, and other cancers. The drug also seeks to destroy multidrug resistant cancer cells such as pancreatic cancer, small-cell lung cancer, breast cancer, and uterine sarcoma cells. The company has also made significant progress on the SBFM-PL4 on the Covid-19 front. Apart from the research aspect, Sunshine Biopharma has a key revenue stream in the form of Essential 9, a dietary supplement tablet that it sells along with generic prescription drugs to treat breast cancer, benign prostatic hyperplasia, and prostate cancer. It was founded in 2006 and is based in Pointe-Claire, Canada.

Key Report Highlights

Industry View:	Attractive
Stock Rating:	Buy
Price Target:	\$3.0
Current Price:	\$1.23
52-Week-Range:	\$1.08 - \$35.60

Annual Income Statement	2021	2022E	2023E
Revenues	0.23	1.10	3.79
Cost of Goods Sold	0.12	0.50	1.69
Gross Income (excl. D&A)	0.11	0.60	2.10
EBITDA	-0.57	-0.10	1.20
EBIT (incl. extraordinary exp)	-12.12	-0.11	1.19
Net Income	-12.44	-0.31	0.69
Cash from Operations	-1.83	-0.06	0.97
Free Cash Flows	-6.83	-6.06	0.97

Growth & Margins	2021	2022E	2023E
Sales Growth	228.6%	378.3%	244.5%
EBITDA Margin	-247.8%	-9.1%	31.7%
EBIT Margin	-5269.6%	-10.0%	31.4%
Net Profit Margin	-5408.7%	-28.2%	18.2%

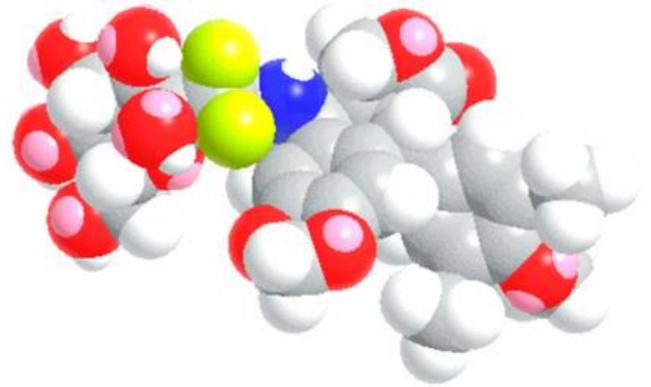
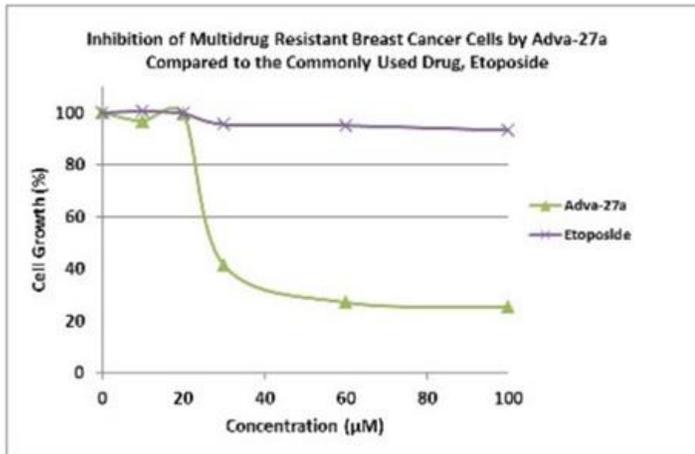
Valuation Ratios	Current	2022E	2023E
EV/ Sales	38.2	8.9	16.8
EV/ EBITDA	NA	NA	53.0
EV/ EBIT	NA	NA	53.5
Price/Earnings	NA	NA	85.2

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

1.	ANTI-CANCER DRUG RESEARCH
2.	SCIENCE-BASED NUTRITION – ESSENTIAL 9
3.	NEURODEGENERATIVE DISEASE TREATMENT
4.	TREATMENT FOR SARS-COV-2
5.	EXPERIENCED MANAGEMENT TEAM

Anti-Cancer Drug Research

- Adva-27a, which is highly effective at killing multi-drug resistant cancer cells, is Sunshine Biopharma's primary focus. Since its inception, Sunshine Biopharma's flagship anti-cancer compound has been this.
- Adva-27a may enter Phase I clinical trials for pancreatic cancer and breast cancer after completing GMP manufacturing and formulating a 2-kilogram quantity for injection.
- Adva-27a kills cancer cells by inhibiting a key cell-cycle enzyme – Topoisomerase II. Unlike other available antitumor drugs, Adva-27a can kill multidrug-resistant cancer cells. It's worth highlighting that Etoposide, another commonly used Topoisomerase II inhibitor, doesn't affect multidrug-resistant breast cancer cells, whereas Adva-27a does. Open
- Preclinical studies show that P-Glycoprotein, the enzyme that makes cancer cells resistant to anti-tumour drugs, has no effect on Adva-27a, typically driving Sunshine Biopharma's optimism.



Adva-27a Molecule in 3D

Source: Company Website

- Adva-27a has an excellent clearance time, as evidenced by both human microsome stability studies and pharmacokinetics data in rats. Adva-27a clearance is independent of Cytochrome P450, resulting in fewer toxic intermediates.
- The management also revealed that their clinical trials would be held at the Jewish General Hospital of McGill University in Montreal, Canada.
- In all aspects of the planned clinical trials in Canada, FDA standards will be applied at all levels. The company estimates that it will take 18 to 24 months to complete the project from start to finish.
- They will almost certainly be required to make Adva-27a available to patients under the 'compassionate-use' guidelines after the Phase I clinical trials.
- Sunshine Biopharma is the sole and exclusive owner of this patent, as well as all other Adva-27a-related patents throughout the world. It has also refused to grant anyone any licences or rights based on these patents. This has the potential to be a huge gain in the future.
- As we can see in the above extract, the company has multiple sources of revenue for its platform through its SaaS model and has the ability to scale the number of users and the Annual Recurring Revenue (ARR) through this model.
- Sunshine Biopharma has a detailed white paper on the reasons for enterprises undertaking learning programs for their work force and some of the key factors are highlighted in the above chart. Sunshine Biopharma's offerings and its vast set of features is particularly relevant in this regard.

Science-Based Nutrition – Essential 9



Source: Company Website

- Sunshine Biopharma, as previously mentioned, is one of the few research-oriented biopharma companies with a recurring revenue stream, which comes from their science-based nutrition division, typically some protein supplement.
- Proteins comprise 20 different amino acids, including valine, threonine, histidine, isoleucine, methionine, leucine, phenylalanine, lysine, and tryptophan, which must be obtained from protein-rich foods, nine of which the human body cannot produce.
- These amino acids are important for critical boosting energy, muscle repair, healthy digestion, blood sugar regulation, and general health.

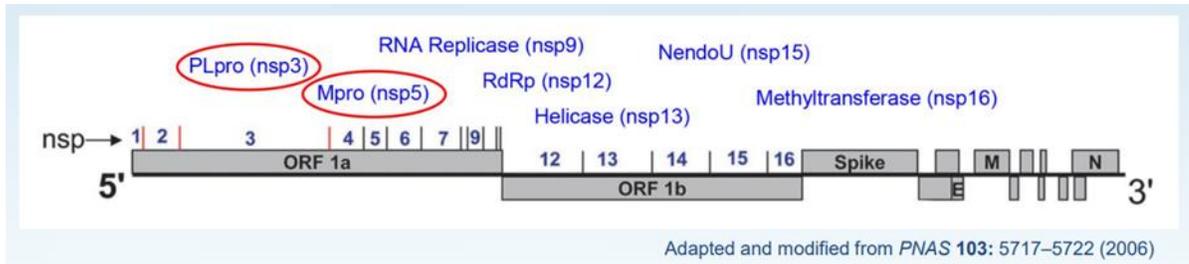
- Sunshine Biopharma aims to provide these amino acids through its Essential 9, a tablet that contains all of these elements in precise, scientifically proven proportions. The product is vegan-certified and has a large addressable market.
- The product is expected to generate well over a million dollars this year, providing an excellent cushion for management to fund their research, and the Essential 9 segment has significant growth potential.

Neurodegenerative Disease Treatment

- Neurodegeneration is the loss of neuronal function over time, causing cell death. Neurodegenerative diseases include Amyotrophic lateral sclerosis (ALS), multiple sclerosis, Parkinson's disease, Alzheimer's disease, and Huntington's disease.
- The disease typically affects both the brain and the peripheral nervous system. Since there is currently no treatment available for the progressive degeneration of neurons, they are considered incurable.
- Recent biochemical studies at the subcellular level have discovered many underlying similarities between these diseases. Also, millions of people suffer from neurodegenerative diseases all over the world.
- As part of their ongoing mRNA-as-therapeutic-agents study, Sunshine Biopharma recently discovered that several mRNA molecules protect differentiated neuronal cells from hydrogen peroxide-induced oxidative stress, a system commonly used to study neurodegeneration in vitro.
- The company has applied for a patent for a new treatment for neurodegenerative disorders due to this breakthrough.
- According to the company's patent application, experiments show that certain mRNA molecules protect differentiated neuronal cells from oxidative stress, a process that mimics neuronal degeneration.
- The company's potential mRNA treatment, according to the management, could slow neurodegeneration, relieve symptoms, reduce pain, and improve mobility.

Treatment for SARS-CoV-2

- Sunshine Biopharma's research on the Covid-19 front has also progressed well. The company recently announced that it had mapped the mutations discovered in Delta as well as other known variants of concern.
- The majority of the mutations were discovered in the Spike protein, with only a few in the genomic sequences encoding nsp3, a multi-domain protein including the PLpro enzyme.
- Surprisingly, no mutations were found in the domain that makes up the PLpro catalytic core. These findings suggest that Sunshine Biopharma's PLpro inhibitors, which are currently being developed at the University of Georgia, would be effective against all relevant variants.



Source: Company Presentation

- The Alpha, Beta, Gamma, and Delta variants are currently recognized by the World Health Organization and the CDC in the United States.
- These variants' mutations were discovered outside of the PLpro catalytic domain, which is where Sunshine's inhibitors work. In general, mutations that occur outside of an enzyme's catalytic domain are thought not to affect the enzyme's activity.
- The contact points of their inhibitors within the catalytic domain of PLpro remain unchanged based on the crystal structure of PLpro.
- The positive indications of its studies have prompted Sunshine Biopharma to move forward with their mice studies at the University of Georgia. While this research is also at the pre-IND stage like the others, we believe that it could also have immense potential.

Experienced Management Team

- Sunshine Biopharma is spearheaded by Dr. Steve Sliaty, a renowned scientist and a seasoned business executive. He is a bioscience industry leader who has been quoted in editorials, reviews, and textbooks.
- Apart from being the President and CEO of Sunshine Biopharma, he is an Adjunct Professor at the Universite du Quebec and has made significant contributions to science by discovering a new class of enzymes and developing key technology for the Human Genome Project.
- He has a history of success in the past and has founded three biotech companies and took one public (Genomics One Corporation, a listed company with a market cap of \$1 billion).
- In terms of the finance function, the company's CFO is Mr. Camille Sebaaly who has over 20 years of experience in emerging technology engineering, development, and commercialization.
- Mr. Sebaaly combines strategic planning and finance expertise with strong skills in business development, deal structure, and negotiations as an executive and entrepreneur.
- He has served as a senior executive in financial management, business development, project management, and finance and has also worked in operations, general management, investor relations, marketing, and business development, focusing on international business and advanced technology marketing, such as hydrogen generation and energy conservation.

- Dr. Abderrazzak Merzouki, the company's COO and Director, is a well-known virologist and immunologist with over 20 years of experience.
- Dr. Merzouki has previously worked at Ecole Polytechnique de Montreal's Institute of Biomedical Engineering in the Department of Chemical Engineering, where he taught and was a senior scientist involved in the research and development of plasmid and siRNA-based therapies.
- He also worked in gene therapy, conducting preclinical research for pharmaceutical companies on using adenoviral vectors for cancer treatment and plasmid vectors to treat peripheral arterial blockings.
- Furthermore, he developed biogeneric therapeutic protein production technologies to treat diseases such as cancer, diabetes, hepatitis, and multiple sclerosis.
- The other members of this firm are David Natan, Dr. Andrew M. Keller, and Dr Rabi Kiderchah. Since February 10, 2022, David Natan has been a director of the company.
- His background as a business executive and a director of public companies qualifies him for a position on their board of directors. On the other hand, Dr. Keller has immense knowledge and experience in the medical and scientific industry.
- Dr. Rabi Kiderchah is a medical doctor in Canada and has also worked as a 'medecins depanneurs' in rural areas where there aren't enough emergency room doctors.
- Since 2011, he has worked as a freelance physician in the Quebec, Canada area for Rabi Kiderchah Medecin Inc. Overall, the company's management is well-positioned to take Sunshine Biopharma forward. He has vast experience in the banking, health care, higher education, high-tech, non-profit, and retail industries.

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

Particulars	30-06-2021	30-09-2021	31-12-2021	31-03-2022
Revenues	0.1	0.1	0.1	0.1
<i>% growth</i>		0.0%	80.0%	33.3%
Cost of Goods Sold	0.0	0.0	0.1	0.1
<i>% of revenue</i>	40.0%	40.0%	66.7%	50.0%
Gross Income (excl. D&A)	0.0	0.0	0.0	0.1
<i>% of revenue</i>	60.0%	60.0%	33.3%	50.0%
EBITDA	-2.7	-4.0	0.7	-1.2
<i>% of revenue</i>	-5340.0%	-7960.0%	788.9%	-1016.7%
Depreciation & Amortization	0.0	0.0	0.0	0.0
<i>% of Fixed Assets</i>	100.0%	100.0%	100.0%	#DIV/0!
Extraordinary Expenses	2.3	3.5	-1.0	0.0
EBIT (incl. extraordinary exp)	-2.7	-4.0	0.7	-1.2
<i>% of revenue</i>	-5360.0%	-7980.0%	777.8%	-1016.7%
Pretax Income	-2.9	-4.0	0.7	-1.2
<i>% of revenue</i>	-5760.0%	-8080.0%	744.4%	-1033.3%
Income Tax	0.0	0.0	0.0	0.0
<i>% rate</i>	0.0%	0.0%	0.0%	0.0%
Net Income	-2.9	-4.0	0.7	-1.2
<i>% of revenue</i>	-5760.0%	-8080.0%	744.4%	-1033.3%

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- Sunshine Biopharma has reported a top-line of \$0.12 million in its recent quarterly result which is a 33.33% appreciation over the previous quarter.
- The company reported a positive gross margin of 50.00% for the quarter ended 31-03-2022.
- Its EBITDA for the quarter was \$-1.22 million and the EBITDA margin was -1016.67%.
- This was a -1805.56% margin contraction at the EBITDA level which is definitely a negative outcome.
- Sunshine Biopharma's operating income (EBIT) was reported at \$-1.22 million and a margin of -1016.67%. This EBIT margin dropped by 1794.44% in this quarter. The company's pre-tax margin for the quarter was -1033.33%.
- Sunshine Biopharma reported a net income of \$-1.24 million which resulted in a diluted earnings per share (EPS) of \$-1.2. The company's net margin was -1033.33%.
- Sunshine Biopharma burnt \$-1.3 million in terms of operating cash flows for the 3 months period ended 31-03-2022.
- The company was able to convert about 441.67% of its revenues into operating cash flows in the recent quarter. This quarter's EBITDA-to-operating cash flow conversion ratio is -43.44%
- Overall, Sunshine Biopharma delivered a negative free cash flow of \$1.3 million for the past 3 months.

Particulars	2018	2019	2020	2021
Revenues	0.0	0.0	0.1	0.2
<i>% growth</i>			250.0%	228.6%
Cost of Goods Sold	0.0	0.0	0.0	0.1
<i>% of revenue</i>		50.0%	42.9%	52.2%
Gross Income (excl. D&A)	0.0	0.0	0.0	0.1
<i>% of revenue</i>		50.0%	57.1%	47.8%
EBITDA	-1.1	-0.5	-0.6	-0.1
<i>% of revenue</i>		-2650.0%	-814.3%	-43.5%
Depreciation & Amortization	1.0	0.4	2.1	12.0
<i>% of Fixed Assets</i>	137.5%	1400.0%	10300.0%	120200.0%
Extraordinary Expenses	1.0	0.4	2.1	9.7

EBIT (incl. extraordinary exp)	-2.0	-1.0	-2.6	-12.1
% of revenue		-4750.0%	-3757.1%	-5269.6%
Pretax Income	-2.1	-1.1	-2.8	-12.4
% of revenue		-5400.0%	-3971.4%	-5408.7%
Income Tax	0.0	0.0	0.0	0.0
% rate	0.0%	0.0%	0.0%	0.0%
Net Income	-2.2	-1.7	-2.8	-12.4
% of revenue		-8300.0%	-3971.4%	-5408.7%

- When we analyze the company's annualized historical income statement, we see that the top-line was \$0.23 million for the previous financial year ending in 2021.
- The revenue growth was 228.57% in 2021 as compared to around 250% in 2020.
- Sunshine Biopharma's cost of goods sold has increased from 42.86% to 52.17% as a percentage of the top-line resulting in a drop in the gross margins.
- The company's overall annual EBITDA margin of -43.48% is higher than the reported quarterly EBITDA margin for the most recent quarter.
- Non-cash expenses in the form of depreciation and amortization have gone up as compared to the result in 2020.
- In terms of the bottom-line, Sunshine Biopharma reported an operating income (EBIT) of \$-12.12 million and a net income of \$-12.44 million resulting in an EPS of \$-4.76.
- The slightly worrying news for investors holding the stock is that its net margin had decreased from -3971.43% in 2020 to -5408.70% in 2021.

Particulars	2018	2019	2020	2021
Assets				
Net Intangible Fixed Assets	0.7	0.0	0.0	0.0
Net Tangible Fixed Assets	0.1	0.0	0.0	0.0
Total Fixed Assets	0.7	0.0	0.0	0.0
% of revenue		150.0%	28.6%	4.3%

LT Investments	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.1
<i>% of revenue</i>		100.0%	28.6%	47.8%
Accounts Receivable	0.0	0.0	0.0	0.0
<i>% of revenue</i>		0.0%	0.0%	4.3%
Cash and ST Investments	0.1	0.0	1.0	2.1
<i>% of revenue</i>		200.0%	1414.3%	891.3%
Other Current Assets	1.0	0.0	0.0	0.0
Total Current Assets	1.1	0.1	1.0	2.2
Other Assets	0.0	0.0	0.0	0.0
Total Assets	1.8	0.1	1.1	2.2
Liabilities & Shareholder's Equity				
Equity & Minorities	-0.1	-0.7	-1.0	0.2
LT Debt	0.0	0.0	1.0	1.9
Other LT Liabilities	0.3	0.0	0.0	0.0
Total LT Liabilities	0.3	0.0	1.0	1.9
ST Debt	0.7	0.7	1.0	0.0
Accounts Payable	0.1	0.1	0.1	0.0
<i>% of COGS</i>	<i>#DIV/0!</i>	500.0%	85.7%	17.4%
Other ST Liabilities	0.1	0.0	0.0	0.1
Total Current Liabilities	0.9	0.8	1.0	0.1
Total Liabilities	1.2	0.8	2.0	2.0

Total Liabilities & Shareholder's Equity	1.8	0.1	1.1	2.2
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- Moving on to the company's historical annualized balance sheet, when we analyze the fixed assets versus the revenues, we see that the percentage has evolved from 28.57% to 4.35%
- Its receivables of \$0.01 million are about 4.35% of the top-line.
- Sunshine Biopharma has close to \$2.05 million in terms of liquidity i.e. cash and short term investments.
- On the other hand, its payables for 2021 account for around 17.39% of the cost of goods sold.
- The company's long term debt is around 9.0x times its equity.

Other Metrics	2018	2019	2020	2021
Total Cash Dividends Paid	0.00	0.00	0.00	0.00
<i>% growth</i>		NA	NA	NA
Total Common Shares Outstanding	4	35	2	3
<i>% change</i>		725.2%	-95.1%	49.7%
Dividend Per Share	0.00	0.00	0.00	0.00
<i>% change</i>		NA	NA	NA

Operating Ratios	2018	2019	2020	2021
Receivables Turnover	NA	NA	NA	23.0
Days Receivable	NA	NA	NA	15.9
Inventory Turnover	NA	0.5	1.5	1.1
Inventory Days	NA	730.0	243.3	334.6
Payables Turnover	0.0	0.1	0.5	3.0
Days Payable	NA	3650.0	730.0	121.7
Fixed Asset Turnover	0.0	0.7	3.5	23.0
Total Asset Turnover	0.0	0.2	0.1	0.1

Other Performance Ratios	2018	2019	2020	2021
Return on Assets	-118.7%	-1660.0%	-264.8%	-562.9%
Return on Equity	3600.0%	224.3%	292.6%	-5923.8%

- The company does not pay any dividend.
- Sunshine Biopharma's total common shares outstanding have increased in 2021 by 49.71% implying a share issuance.
- The receivables turnover helps quantify a company's effectiveness in collecting the money owed by clients and demonstrates how well it uses and manages the credit it extends to customers.
- As per the days receivable, the company takes an average period of 15.9 days to collect money from its clients which appears to be reasonable.
- The inventory turnover shows the number of times a given company has sold and replaced inventory during the year and is an indicator of how many days of working capital is blocked in inventory.
- As per the inventory days ratio, Sunshine Biopharma holds an average inventory of 334.6 days which appears to be on the higher side and blocking its working capital.
- The accounts payable turnover is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. It shows how many days of credit a company gets from its suppliers.
- As per the days payable, the company takes an average period of 121.7 days to pay off its creditors which appears to be reasonable.
- The fixed asset turnover ratio measures how well a company generates sales from its tangible as well as intangible fixed assets. The higher the ratio, the greater the company's efficiency to its assets to generate revenues.
- Sunshine Biopharma's fixed assets turnover ratio of 23.0 has increased in 2021 indicating that the company is generating greater revenues from its fixed assets.
- The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues.
- Sunshine Biopharma's total assets turnover has increased to 0.10 in 2021.
- Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders' equity.
- The company's overall Return on Assets is -562.90%.

- Sunshine Biopharma's Return on Equity is -5923.81%. The company's Return on Equity is lower than its Return on Assets and this is because it does not resort to using significant capital gearing.

Particulars	2019	2020	2021	2022E	2023E	2024E
Revenues	0.0	0.1	0.2	1.1	3.8	10.9
% growth		250.0%	228.6%	378.3%	244.5%	91.0%
Cost of Goods Sold	0.0	0.0	0.1	0.5	1.7	5.0
% of revenue	50.0%	42.9%	52.2%	45.5%	44.6%	45.9%
Gross Income (excl. D&A)	0.0	0.0	0.1	0.6	2.1	5.9
% of revenue	50.0%	57.1%	47.8%	54.5%	55.4%	54.1%
EBITDA	-1.1	-0.5	-0.6	-0.1	1.2	4.8
% of revenue	-5250.0%	-757.1%	-247.8%	-9.1%	31.7%	44.0%
Depreciation & Amortization	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-1.0	-2.6	-12.1	-0.1	1.2	4.8
% of revenue	-4750.0%	-3757.1%	-5269.6%	-10.0%	31.4%	43.9%
EBT (GAAP)	-1.1	-2.8	-12.4	-0.3	0.7	4.3
% of revenue	-5400.0%	-3971.4%	-5408.7%	-28.2%	18.2%	18.0%
Net Income (GAAP)	-1.7	-2.8	-12.4	-0.3	0.7	4.3
% of revenue	-8300.0%	-3971.4%	-5408.7%	-28.2%	18.2%	39.3%
Earnings Per Share (GAAP)	-0.10	-2.73	-4.76	-0.04	0.08	0.45

Particulars	2019	2020	2021	2022E	2023E	2024E
Net Income (GAAP)	-1.7	-2.8	-12.4	-0.3	0.7	4.3
+ Depreciation & Amortization	0.0	0.0	0.0	0.0	0.0	0.0
+/- Working Capital, Deferred Taxes & Other Adjustments	1.2	2.1	10.6	0.2	0.3	0.1
Cash Flow from Operations	-0.5	-0.7	-1.8	-0.1	1.0	4.4
% of EBITDA	47.6%	124.5%	321.1%	55.9%	81.1%	92.5%
Net Capex	0.0	0.0	-5.0	-6.0	0.0	0.0

% of revenues	0.0%	0.0%	2173.9%	545.5%	0.0%	0.0%
Other Investment Cash Flow items	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow after Investments	0.0	0.0	-5.0	-6.0	0.0	0.0
Free Cash Flow	-0.5	-0.7	-6.8	-6.1	1.0	4.4

Growth & Margins	2019	2020	2021	2022E	2023E	2024E
Sales Growth		250.0%	228.6%	378.3%	244.5%	91.0%
EBITDA Margin	-5250.0%	-757.1%	-247.8%	-9.1%	31.7%	44.0%
EBIT Margin	-4750.0%	-3757.1%	-5269.6%	-10.0%	31.4%	43.9%
Net Profit Margin	-8300.0%	-3971.4%	-5408.7%	-28.2%	18.2%	39.3%

Leverage Ratios	2019	2020	2021	2022E	2023E	2024E
Net Debt	0	0	0	6	5	0
Net Debt/ Equity	0.1	0.0	-0.7			
Net Debt/ EBITDA	NA	NA	NA	-59.1	4.1	0.1

- Now let us move on to Baptista Research's forecasts for Sunshine Biopharma's income statement and cash flows.
- We forecast a top-line growth of 378.3% for 2022, around 244.5% for 2023, and about 91.0% for 2024.
- This growth is expected to translate into an EBITDA of \$-0.1 million in 2022 with a margin of -9.09%.
- Sunshine Biopharma's EBIT margin is expected to be -10.05% in 2022, about 31.37% in 2023, and 43.93% in 2024.
- Our estimate for the company's Net Income (GAAP) is \$-0.3105 million implying a net margin of -28.23% and resulting in an earnings per share of \$-0.04.
- We expect the growth to follow a similar trend in 2023 and 2024.
- In terms of the cash flows, we expect Sunshine Biopharma to generate around \$-0.0559 million in operating cash flows in 2022.
- This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 55.90%
- Sunshine Biopharma is expected to invest a lower amount in capex and other investing activities in 2022.
- Overall, the company is expected to generate free cash flows to the tune of \$-6.0559 million in 2022.
- Sunshine Biopharma's Net Debt is expected to increase in 2022 and is expected to follow a similar trend over the coming years.
- The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
- Sunshine Biopharma's Net Debt-to-EBITDA ratio is expected to be -59.06 in 2022 which indicates that the company is not leveraged.
- Net-Debt-to-Equity ratio, also known as the gearing ratio shows how encumbered a company is with its debt.
- The company's Net Debt-to-Equity ratio for 2021 is -0.71 and it indicates that the company has no gearing.

DISCOUNTED CASH FLOW (DCF) VALUATION

Key DCF Assumptions

WACC	21.7%
CoD	17.3%
CoE	21.6%
Market Rate	6.0%
Risk Free Rate	1.6%
Beta	3.33
Perpetual Growth Rate (g)	-28.0%
Terminal Value	9
Tax Rate	0.0%

- For the purpose of carrying out the discounted cash flow valuation of Sunshine Biopharma, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years. The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 1.60%.
- The company's stock is more volatile than the market as a whole and has a beta of 3.3 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 21.6% which appears reasonable for a company like Sunshine Biopharma.
- Based on the company's long term debt and interest payments, the cost of debt is 17.3%.
- After incorporating the CoE and the CoD and average tax rate of 0.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 21.7%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 12.9 to our forecasted revenues of 2024.

EV and Market Cap	Current	2022E	2023E	2024E
Price (\$)	0.56	3.40	5.05	10.41

Outstanding Number of shares (million)	26	26	31	31
Total Market Cap (billion)	0.014	0.012	0.156	0.322
Net Debt	-11	-9	-9	-12
Enterprise Value (billion)	0.004	0.003	0.147	0.310

- After applying the discount rate (WACC) of 32.0%, we arrive at a price target of \$3.4 for 2022.
- Our target price at the end of 2023 is \$5.0 and for 2024 is \$10.4 which implies a total appreciation of nearly 1759.5% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 71.03 and 143.37
- The EV/ EBIT will be in the range of 88.68 to 739.00 over the coming 3 years.

Valuation Ratios	Current	2022E	2023E	2024E
EV/ Sales	5.5	1.4	24.9	30.4
EV/ EBITDA	NA	NA	143.4	71.0
EV/ EBIT	NA	NA	739.0	88.7
Price/Earnings	NA	NA	1574.2	94.8

KEY RISKS

- It is important to highlight the key risks associated with an investment in Sunshine Biopharma as well as the inherent risks associated with the financial projections and price forecasts presented in this report.
- Sunshine Biopharma may have a highly differentiated technology and a robust platform but it operates in a highly competitive ed-tech market which has limited barriers to entry as well as many large incumbents with huge funding from venture capitalists who could penetrate their space.
- To accommodate growth and compete effectively, the Sunshine Biopharma management will need working capital to maintain adequate inventory levels, develop additional procedures and controls and increase, train, motivate and manage its work force.
- Sunshine Biopharma, Inc. is serving the global market since less than a decade which means it has a very limited operating history. As a result, many potential investors find it difficult to evaluate its business prospects and management.
- Sunshine Biopharma's management may struggle to successfully implement and execute their business tactics, operating strategies and growth initiatives.
- If the management fails to accomplish their growth and organizational modification effectively, it may destroy their business and operational results.
- Another key risk worth highlighting is that Sunshine Biopharma has minimized their payroll and relies on third parties to grow and scale the company. Therefore, any change in pledged relationships or disruption of service run by third parties may badly affect them and subject them to liability.
- There is also the risk of the company's IP i.e., its ed-tech platform being infringed. Last but not the least, one of the most significant risks that the company is currently facing is the ongoing global impact of Covid-19 as well as the geopolitical situation between Russia and Ukraine which has led to global economic uncertainty and could have a material impact on Sunshine Biopharma' operations.
- There could be a possible dilution and loss of value of their equity shares because the company might require an infusion of funds through equity issuances for funding their losses until they break even.
- If the management fails to raise additional capital, they may need to reduce, defer, curtail or cease their operations, including the product design, development, and marketing.
- Sunshine Biopharma's ability to continue as a going concern might be contingent upon the ability to raise additional capital through the sale of securities and incurrence of debt. Additionally, the future capital requirements of the company depend on many factors including the rate of revenue growth, selling price of the platform subscription and research and development efforts which raise substantial doubt about the company's ability to continue as a going concern.
- It is worth highlighting that the extent to which Covid-19 impacts the financial results of the company is highly uncertain and could significantly disrupt the operations including sales, manufacturing and supply chain-related activities. It could also result in social, economic, and labor instability in the countries where the customers and suppliers operate.

- With respect to our price projection, we would like to clarify that the valuation of Sunshine Biopharma in this report is specific to the date of the analysis i.e., 18-06-2022.
- Another one of the biggest risks to Sunshine Biopharma' model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of Sunshine Biopharma in this report is specific to the date of the analysis i.e., 18th June 2022.
- We must emphasize that the projected valuation and the share price of Sunshine Biopharma are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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