

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



Fiscal 2017 Earnings Update

Report Date: 04/16/18

12- 24 month Price Target: \$10.25

Allocation: 4

Closing Stock Price at Initiation (Closing Px: 02/06/18): \$2.96

AzurRx BioPharma, Inc.



(Stock Symbol - NASDAQ: AZRX)

<http://azurrx.com/>

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We just initiated this coverage a few weeks ago so there is not a lot to update but we will touch on a few things. Also, for those who are Trickle subscribers, we did provide an update on AZUR in some general research notes a short while back so for those of you, some of this may be redundant. We would add, if you have not read the initiating coverage we would encourage you to do so. We think the Company is a compelling proposition from current levels especially given the stage of clinical progress we believe they are at.

One of AZRX's more recent challenges has been getting patients enrolled in the Phase II clinical study. Just to edify in conjunction with the Company's published presentations. The current Phase II is a dosing trial attempting to determine optimal dosing ranges for MS1819. Keep in mind, while we tend to think the Cystic Fibrosis ("CF") market involves the most acute patient potential, the drug also addresses Chronic Pancreatitis patients ("CP"). CF patients tend to be children or at least young adults, while CP patients are often middle age to older adults. Simply put, the company initiated the dosing study for CP patients with the notion that it would be less difficult to enroll CP patients into a dosing study than younger (generally more compromised) CF patients. Recognize, they do intend to use the Phase II CP data to develop and execute a Phase II CF trial as well which is planned for this year. Like many clinical trials, enrollment of relevant patient populations is almost always a struggle, and that has been the case with MS1819. AZRX was able to enroll 3 new patients in February, which brought them to 9, (they are looking for 18) and they recently achieved trial status in France, so they are hoping to complete the necessary enrollment by the end of Q2. Additional enrollments would be a welcome data point. The Company continues to suggest they intend to complete and provide final results of the CP Phase II as well as file an IND in 2HF18.

On another note, in the initiating coverage we talked a bit about a competitor called Anthera. We won't rehash that discussion here, but, Anthera had been investigating a bacteria-based solution to EPI. In short, after a series of failures, they recently abandoned their efforts. We had assumed some Anthera success in some of our competitive valuation scenarios, so their exit from the fray is in our view a positive for AZRX. As our initiating coverage points out, in recognition of the opportunity we believe is available to AZRX, Anthera, prior to its clinical failures, held market caps in excess of \$3 billion. Again, we view Anthera's exit as perhaps beneficial to AZRX.

To summarize, AZRX's shares have responded positively of late, so perhaps the street is beginning to embrace some of our same thesis. Again, we encourage readers to look over at the initiating coverage. We believe AZRX's potential is quite open ended, and we think 2018 could provide positive data points to that end.

Projected Operating Model

Projected Operating Model						
AzurRx BioPharma, Inc.						
Prepared By: Trickle Research LLC						
	(estimate)	(estimate)	(estimate)	(estimate)	(estimate)	(estimate)
	3/31/2018	6/30/2018	9/30/2018	12/31/2018	Fiscal 2018	Fiscal 2019
Research and development expenses	\$ 814,080	\$ 830,362	\$ 846,969	\$ 863,908	\$ 3,355,319	\$ 3,631,905
General & administrative expenses	\$ 2,163,324	\$ 2,206,591	\$ 2,250,722	\$ 2,295,737	\$ 8,916,374	\$ 9,651,370
Fair value adjustment, contingent consideration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss from operations	\$ (2,977,404)	\$ (3,036,952)	\$ (3,097,691)	\$ (3,159,645)	\$ (12,271,693)	\$ (13,283,275)
Other:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest expense	\$ (350,000)	\$ (250,000)	\$ -	\$ -	\$ (600,000)	\$ -
Fair value adjustment, warrants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss before income taxes	\$ (2,977,404)	\$ (3,036,952)	\$ (3,097,691)	\$ (3,159,645)	\$ (12,271,693)	\$ (13,283,275)
Income taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	\$ (2,977,404)	\$ (3,036,952)	\$ (3,097,691)	\$ (3,159,645)	\$ (12,271,693)	\$ (13,283,275)
Other comprehensive loss:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foreign currency translation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total comprehensive loss	\$ (2,977,404)	\$ (3,036,952)	\$ (3,097,691)	\$ (3,159,645)	\$ (12,271,693)	\$ (13,283,275)
Basic and diluted weighted average shares outstanding	12,591,644	13,241,644	14,041,644	15,941,644	13,954,144	18,416,644
Loss per share - basic and diluted	\$ (0.24)	\$ (0.23)	\$ (0.22)	\$ (0.20)	\$ (0.88)	\$ (0.72)

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\$250 * 4$). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.