

CPIX: A Solid Stock With An Exciting Catalyst

05/31/2023

By [Brad Sorensen, CFA](#)

NASDAQ:CPIX

Cumberland Pharmaceuticals (NASDAQ:CPIX) is a company that has been around for over 20 years helping improve the quality of patient care through the delivery of high-quality prescription medicines. The company continues to do this quite well, and would make CPIX an interesting investment prospect, especially at recent prices, if that was the whole story. But it's not. When a company such as Cumberland, with a large portfolio of approved medicines, expands the FDA approvals for a key treatment to its portfolio, it can sometimes go overlooked. We believe that's a mistake in this case and investors have the opportunity to take advantage of the oversight.

Cumberland researchers have added new indications for a therapy known as Caldolor in its portfolio, which we believe could be a game-changer in the continued national fight against the opioid epidemic. It will come as no surprise to readers that opioid-related deaths have soared in recent years, spiking to over 80,000 deaths in 2021, the last year we have full data for, up about 21,000 in 2010, and estimated by the CDC to have grown to over 100,000 in 2022. And that's just the deaths, which are undoubtedly tragic, but there are potentially millions of patients and family members who have been suffering from the impact of an opioid abuse and addiction. These addictions often begin in the health care setting, when the drug is prescribed to battle severe pain that often comes with various conditions and the aftereffects of surgery. There is unlikely to be a "silver bullet" that will replace all opioids in the medical environment, but we believe Caldolor could contribute greatly to that process as doctors increasingly realize the benefits of the drug.

Caldolor is an 800 mg strength ibuprofen that was the first injectable therapy approved in the United States for the treatment of both pain and fever. Caldolor recently received approval from the FDA to allow children as young as 3-months old to be prescribed the treatment, which we believe has large potential given its properties as an IV treatment of fever and given that this is now the only non-opioid product approved to treat pain in infants that is delivered through injection. The company has done extensive research on Caldolor and the results are quite exciting. Patients that are dosed prior to surgery wake up in significantly less pain, which trials have shown also leads to an up to 58% reduction in opioid use. Additionally, tests have shown that peak plasma levels can be reached in 5-10 minutes following rapid infusion, and due to the non-addictive properties of ibuprofen there are no limitations on the number of days Caldolor can be used. Most people know that ibuprofen has anti-inflammatory properties and according to conversations we have had with physicians, much of the pain experienced post-surgery can be attributed to

inflammation. And the company has made it easy for practitioners to use by making Caldolor available in a pre-mixed bag. Caldolor has been on the market for a while, but we believe the company is about to experience a surge in use as more doctors become aware of the benefits. Additional fuel will likely come from the continued backlog of surgeries that were built up as procedures were postponed during the Covid pandemic. That increase in demand for pain relievers, the unique, non-addictive properties, the availability for children and the ease of use lead us to believe that sales of Caldolor are set to accelerate and that the stock is not yet reflecting that potential.

A therapy like Caldolor would be enough for investors to take a look at CPIX if that was the only treatment in the company's portfolio, given what we believe the revenue and profit potential of Caldolor. But Cumberland Pharmaceuticals has a much deeper portfolio, which, to us, makes them an even better candidate for investors to take a look at. Cumberland Pharmaceuticals is a specialty pharmaceutical company focused on the acquisition, development and commercialization of branded prescription pharmaceutical products. The company notes that its primary target markets are hospital acute care, gastroenterology and oncology. According to the company, these medical specialties are characterized by relatively concentrated prescriber bases that Cumberland believes can be served effectively by small, targeted sales forces.

What excites us about Cumberland is its dual-pronged approach to addressing these markets by focusing its resources on maximizing the commercial potential of its products, which are both produced by the company, such as Caldolor, and acquired from other institutions.

In concert with this second approach, the company has developed a subunit known as Cumberland Emerging Technologies (CET) that provides access to a long-term pipeline of innovative, biopharmaceutical product candidates. According to the company, CET was established as a joint initiative between Cumberland Vanderbilt University and the state of Tennessee to identify innovative product candidates and advance them from the laboratory to the marketplace. CET has formal collaboration agreements with leading academic research centers located in the mid-south region of the United States. Through these research centers CET evaluates a range of new emerging technologies and then teams with scientists to develop promising candidates.

The result of this process is an impressive portfolio of therapies that has a mix of steady performers and some that have the potential to grow at a rapid pace, such as Caldolor in our opinion. The current portfolio includes the following:

- **Acetadote** (*acetylcysteine*) injection, for the treatment of acetaminophen poisoning;
- **Caldolor** (*ibuprofen*) injection, for the treatment of pain and fever;
- **Kristalose** (*lactulose*) oral, a prescription laxative, for the treatment of constipation;
- **Omeclamox-Pak**, (*omeprazole, clarithromycin, amoxicillin*) oral, for the treatment of *Helicobacter pylori* (*H. pylori*) infection and related duodenal ulcer disease;

- RediTrex** (*methotrexate*) injection, for the treatment of active rheumatoid, juvenile idiopathic and severe psoriatic arthritis, as well as disabling psoriasis;

- Sancuso** (*granisetron*) transdermal, for the prevention of nausea and vomiting in patients receiving certain types of chemotherapy treatment;

- Vaprisol** (*conivaptan*) injection, to raise serum sodium levels in hospitalized patients with euvolemic and hypervolemic hyponatremia; and

- Vibativ** (*telavancin*) injection, for the treatment of certain serious bacterial infections including hospital-acquired and ventilator-associated bacterial pneumonia, as well as complicated skin and skin structure infections.

And while the above is an impressive portfolio that brings treatments to many suffering patients, the company continues to develop new treatments to help more patients. The company currently has a Phase II clinical programs underway evaluating its ifetroban product candidates for patients with cardiomyopathy associated with Duchenne Muscular Dystrophy, which is a fatal, genetic neuromuscular disease, Systemic Sclerosis, which is an autoimmune disorder, and Aspirin-Exacerbated Respiratory Disease, which is a severe form of asthma. The company also notes they are designing a fourth Phase II program to evaluate the use of ifetroban to treat patients with Progressive Fibrosing Interstitial Lung Diseases. Cumberland has submitted an application to the FDA to support the new program and expects it to launch in 2023.

A company that has a portfolio of products that brought in roughly \$40 million in revenue in 2022, which was a roughly 14% increase over the revenue brought in in 2021, and has the potential to grow that revenue in an even more rapid fashion is one that we believe investors should take a look at. Additionally, management has authorized a \$10 million share repurchase program, which, as of March 31, 2023, had approximately \$3.6 million left to repurchase, providing further support to CPIX.

CPIX is a stock that we believe has been flying under investors' radar for some time, while the company kept bringing vital treatments to market. With the potential catalyst of Caldolor joining the party, and the likelihood, in our view, that the company will continue to bring products to market that have great growth potential, we suggest investors take a look at CPIX for a unique and potentially beneficial addition to a portfolio.