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Raising PXS-5505 profile in new indication; synergies with SOC

NEED TO KNOW

- Peer-reviewed study published in prominent journal, highlighting PXS-5505
- Possibility of combining PXS-5505 with SOC in MDS (group of blood cancers), an urgent need

Peer-reviewed data on PXS-5505 published in leading journal – good visibility ahead of clinical readouts: Pharmaxis's lead asset, pan-lysyl oxidase inhibitor PXS-5505, has been featured in leading professional journal *Nature Communications*, raising the drug's profile with both clinicians and potential partners ahead of clinical readouts over the next two quarters. The peer-reviewed data was obtained from a preclinical collaboration with University of Heidelberg investigating the role of lysyl oxidase enzymes in myelodysplastic syndrome (MDS), a group of blood cancers that share clinical and pathologic features with acute myeloid leukemia (AML). MDS occurs most commonly in older adults with an annual incidence thought to be as high as 75 cases/100,000.

Data looks promising for expanded indication, combined with SOC: The collaboration looked at the effect of combining the standard of care (SOC) for MDS, 5-azacytidine (5-AZA), with PXS-5505. The study concluded that the resulting significant increase in red blood cell production makes a strong case for trialling PXS-5505 combined with the current SOC in MDS patients, especially those who are anaemic. The team also indicated that the 5-AZA + PXS-5505 could merit investigation for other indications, including chronic myelomonocytic leukemia, myelofibrosis and low blast AML.

Investment Thesis

A rare combination of skills and assets to facilitate bench-to-bedside research. Pharmaxis has brought a combination of assets and skills to its drug discovery platform. As a result, the company has a powerful capability to harness in-house scientific research to develop clinical trial programs and create novel treatments, a 'bench-to-bedside' process known as 'translational research'.

Amine oxidase platform generating multiple candidates, with many more possibilities: Pharmaxis's drug discovery platform focuses on amine oxidases, an important class of regulatory enzymes widespread in the human body whose biological function depends on cofactors and location in human tissue and organ and associated with a range of inflammatory/fibrotic-related diseases.

Deep clinical pipeline: Pharmaxis has built a deep pipeline of product candidates. Its amine oxidase drugs are either 'best-in-class' or 'first-in-class' irreversible small molecule inhibitors of amine oxidase enzymes. The most advanced clinical asset, PXS-5505, is in Phase 2 clinical trials.

Valuation

Our valuation is A\$0.34/share, using a DCF-based sum-of-the-parts approach for the clinical programs (PXS-5505, PXS-6302) and the mannitol division.

Risks

Our valuation is most sensitive to clinical risk associated with the PXS-5505 and PXS-6302 programs.

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Pharmaxis is a clinical-stage drug discovery company developing novel small molecule drugs for inflammatory and fibrotic diseases with major unmet medical need. It is a leader in mechanism-based inhibitors of amine oxidases. It is targeting cancers (e.g., myelofibrosis, pancreatic and liver cancer), diseases of organs including the liver (NASH, liver fibrosis), lungs (pulmonary fibrosis) and kidneys (chronic kidney disease), and fibrotic scarring from burns and other trauma. Pharmaxis previously commercialised two respiratory products (Bronchitol®, Aridol®) now sold globally.

Valuation	A\$0.34 (unchanged)
Current price	A\$0.04
Market cap	A\$32m
Cash on hand	A\$16.5m (31 Dec 22)

Upcoming Catalysts / Newsflow

Imminent	PXS-5505, liver cancer: Phase 1c to start
1HCY23	PXS-4728, neurodegenerative disease Phase 2 trial: to start recruiting patients
4QFY23	PXS-6302, scarring: results from placebo-controlled phase of study
mid-2023	PXS-5505, MF: completion of Phase 2 study

Share Price (A\$)



Source: FactSet, MST Access.

Financial Summary

Pharmaxis						PXS-AU
Year end 30 June, AUD unless otherwise noted						
MARKET DATA						
Price	\$	0.04				
52 week high / low	\$	0.04-0.11				
Valuation	\$	0.34				
Market capitalisation	\$m	31.7				
Shares on issue (basic)	m	719.6				
Options / rights	m	38.2				
Other equity	m	0.0				
Shares on issue (diluted)	m	757.8				
12-MONTH SHARE PRICE PERFORMANCE (A\$)						
INVESTMENT FUNDAMENTALS						
Reported NPAT	\$m	FY19A	FY20A	FY21A	FY22A	FY23E
Underlying NPAT	\$m	(20.1)	(13.9)	(3.0)	(1.9)	(11.7)
Reported EPS (diluted)	c	(5.3)	(3.5)	(0.7)	(0.3)	(2.1)
Underlying EPS (diluted)	c	(5.3)	(3.5)	(0.7)	(0.3)	(2.1)
Growth	%		-32.8%	-79.4%	-52.8%	517.3%
Underlying PER	x	nm	nm	nm	nm	nm
Operating cash flow per share	c	(5.2)	(3.4)	0.8	(2.9)	(1.3)
Free cash flow per share	c	(5.4)	(3.5)	0.6	(2.9)	(3.0)
Price to free cash flow per share	x	nm	nm	7.4	nm	nm
FCF Yield	%	nm	nm	13.5%	nm	nm
Dividend	c	0.0	0.0	0.0	0.0	0.0
Payout	%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%
Enterprise value	\$m	7.7	25.1	19.3	27.0	39.1
EV/EBITDA	x	(0.4)	(1.9)	38.5	(2.2)	(3.7)
EV/EBIT	x	(0.4)	(1.5)	(7.3)	(1.7)	(3.4)
Price to book (NAV)	x	1.2	12.2	7.0	2.2	8.6
Price to NTA	x	1.2	35.5	11.5	2.5	11.2
KEY RATIOS						
EBITDA margin	%	nm	nm	7.5	nm	nm
EBIT margin	%	nm	nm	nm	nm	nm
NPAT margin	%	nm	nm	nm	nm	nm
ROE	%	nm	nm	nm	nm	nm
ROA	%	nm	nm	nm	nm	nm
Net tangible assets per share	\$	0.0	0.0	0.0	0.0	0.0
Book value per share	\$	0.0	0.0	0.01	0.0	0.0
Net debt/(cash)	\$m	(24.0)	(6.6)	(12.4)	(4.6)	(2.1)
Interest cover/ (EBIT/net interest)	x	nm	nm	nm	nm	nm
Gearing (net debt/EBITDA)	x	nm	nm	nm	nm	nm
Leverage (net debt/(net debt + equity))	x	nm	nm	nm	nm	nm
DUPONT ANALYSIS						
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	0.1	0.2	0.2	0.3	0.4
Return on Assets	%	nm	nm	nm	nm	nm
Financial Leverage	x	484.1	5,698.1	2,222.1	397.1	891.0
Return on Equity	%	nm	nm	nm	nm	nm
KEY PERFORMANCE INDICATORS						
Bronchitol	\$m	2.6	5.3	5.2	5.8	7.8
Aridol	\$m	3.1	1.8	1.4	1.6	1.6
Clinical development pipeline						
	Indication	Status				
PXS-5505	Myelofibrosis	Phase 2a				
PXS-6302	Anti-scarring	Phase 1c completed				
PXS-5505	Liver Cancer	Phase 1c ready				
HALF YEARLY DATA						
Total Revenue	\$m	2H20	1H21	2H21	1H22	2H22
Operating expenses	\$m	8.6	13.7	9.9	8.5	1.6
EBITDA	\$m	(13.5)	(11.8)	(11.3)	(14.9)	(13.2)
EBIT	\$m	(4.8)	1.9	(1.4)	(6.4)	(11.6)
EBIT	\$m	(4.8)	0.3	(1.4)	(7.9)	(13.1)
PBT	\$m	(3.6)	0.0	(3.0)	(8.1)	0.6
Reported NPAT	\$m	(3.6)	0.0	(3.0)	(8.1)	0.6
PROFIT AND LOSS						
Revenue	\$m	FY19A	FY20A	FY21A	FY22A	FY23E
Other income	\$m	5.7	7.0	6.7	7.4	9.4
Total Revenue	\$m	6.5	5.6	16.9	8.3	4.9
Operating expenses	\$m	12.2	12.7	23.6	15.8	14.3
EBITDA	\$m	(30.3)	(25.9)	(23.1)	(28.1)	(23.2)
Depreciation & Amortisation	\$m	(18.1)	(13.2)	0.5	(12.3)	(8.9)
EBIT	\$m	(2.6)	(3.2)	(3.2)	(3.2)	(0.8)
Net interest	\$m	(20.7)	(16.5)	(2.7)	(15.5)	(9.7)
Pretax Profit	\$m	0.9	0.4	0.1	0.2	0.0
Tax expense	\$m	(20.1)	(13.9)	(3.0)	(1.9)	(11.7)
Reported NPAT	\$m	0.0	0.0	0.0	0.0	0.0
Weighted average diluted shares	m	(20.1)	(13.9)	(3.0)	(1.9)	(11.7)
GROWTH PROFILE						
Revenue	%	FY19A	FY20A	FY21A	FY22A	FY23E
EBITDA	%	(75.8)	4.1	86.5	(33.3)	(9.1)
EBIT	%	(290.7)	(26.9)	(103.8)	(2,557.1)	(27.6)
Reported NPAT	%	(424.7)	(20.6)	(83.9)	486.5	(37.7)
DPS	%	(412.0)	(30.5)	(78.7)	(34.8)	502.1
BALANCE SHEET						
Cash	\$m	FY19A	FY20A	FY21A	FY22A	FY23E
Receivables	\$m	31.1	14.8	18.7	8.9	6.3
Other	\$m	7.3	7.1	3.0	8.0	4.2
Current assets	\$m	2.1	2.6	3.6	2.3	5.1
PPE	\$m	40.6	24.5	25.3	19.2	15.6
Intangible assets	\$m	10.3	8.9	6.2	3.2	2.6
Other	\$m	0.8	0.9	1.1	1.0	1.1
Non current assets	\$m	1.1	1.1	0.9	1.7	1.7
Total assets	\$m	12.1	10.9	8.3	6.0	5.5
Trade and other payables	\$m	52.7	35.4	33.6	25.2	21.1
Borrowing	\$m	4.8	3.5	3.8	2.7	5.3
Other	\$m	1.2	1.8	2.0	2.0	2.0
Current liabilities	\$m	2.1	1.5	2.1	1.4	0.7
Borrowing and leases	\$m	8.1	6.8	7.9	6.1	8.0
Other liability	\$m	6.0	6.3	4.3	2.3	2.3
Non current liabilities	\$m	15.7	14.0	10.7	0.0	0.0
Total liabilities	\$m	29.7	27.2	22.9	8.3	8.3
Net assets	\$m	37.9	34.0	30.7	14.4	16.3
Share capital	\$m	14.8	1.4	2.8	10.8	4.8
Retained earnings	\$m	367.3	367.3	371.4	380.4	391.1
Other	\$m	(374.2)	(388.2)	(391.2)	(393.1)	(404.8)
Total equity	\$m	21.8	22.3	22.6	23.5	23.5
CASH FLOW						
Net loss for period	\$m	FY19A	FY20A	FY21A	FY22A	FY23E
Depreciation & Amortisation	\$m	(20.1)	(13.9)	(3.0)	(1.9)	(11.7)
Changes in working capital	\$m	2.9	3.2	3.2	3.2	0.8
Other	\$m	(5.1)	(1.6)	4.0	(5.9)	3.6
Operating cash flow	\$m	2.5	(1.0)	(1.1)	(11.5)	0.0
Payments for PPE	\$m	(19.8)	(13.3)	3.1	(16.1)	(7.3)
Other	\$m	(0.6)	(0.3)	(0.3)	(0.1)	(0.1)
Investing cash flow	\$m	(0.4)	(0.3)	(0.3)	(0.2)	(0.2)
Equity	\$m	(1.0)	(0.6)	(0.6)	(0.3)	(0.3)
Lease liability payments	\$m	22.7	0.0	4.1	9.1	10.0
Other	\$m	(1.6)	(2.2)	(2.3)	(2.4)	0.0
Financing cash flow	\$m	(0.3)	(0.3)	(0.2)	(0.1)	0.0
Cash year end	\$m	20.8	(2.5)	1.5	6.6	10.0
Free cash flow	\$m	31.1	14.8	18.7	8.9	6.3
	\$m	(20.8)	(13.9)	2.4	(16.4)	(16.4)

Source: Company reports, MST Access estimates

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