2QFY23 – news flow plentiful in 2023 with data readouts from two major trials

Pharmaxis has released its 2QFY23 results, with encouraging updates across its suite of drug candidates. Key financial results included cash at quarter end of A$16.45m, not including its 2022 R&D tax credit of A$4.95m received in January. R&D spend during the quarter was $3.2m, up from ~A$1m in the previous quarter. The company has completed the second tranche of a A$10m placement, raising A$5.1m (A$0.06 per share). The board has also been boosted with the appointment of two new non-executive directors: Dr Simon Green (prior experience: CSL, Genentech Inc, Chiron Corporation) and Hashan De Silva (Karst Peak Capital).

Lead asset PXS-5505 (MF): Phase 2 continues as drug garners attention at hematology conference

The open-label Phase 2 trial of lead asset PXS-5505 for myelofibrosis (MF) has 18 patients recruited and is scheduled for completion in mid-2023. Pharmaxis has stated that results to date indicate an improvement in fibrosis, blood counts (haemoglobin scores, platelets) and symptom scores, as well as good tolerability and excellent safety profile. Notably, positive signs of clinical activity were reported in patients ineligible for approved JAK inhibitors (current standard of care[1]). As such, the company plans to schedule a meeting with the FDA in 2QCY23 to discuss next steps of clinical development for PXS-5505 in myelofibrosis.

Two posters about PXS-5505 were featured the December 2022 American Society of Hematology Conference in New Orleans, one showing data from the first six completed patients in the trial and the other outlining pre-clinical data from Pharmaxis's collaboration with the University of Heidelberg in other blood cancers.

PXS-6302 (established scars): all patients recruited

All 50 patients have now been fully recruited for the PXS-6302 trial, with the first 8 concluding active treatment and showing promising data. Topline data from the remaining 42 patients in the placebo-controlled portion of the study should come through in early 4QFY23. Pharmaxis is also working with Professor Wood and her team on a follow up study designed to address the need for objective endpoints to meet anticipated regulatory hurdles and explore further indications for PXS-6302.

Valuation: A$0.34/share on DCF-based SOTP

Our fair value estimate is A$0.34/share, using a sum-of-the-parts approach based on DCF methodology. The valuation comprises Pharmaxis's two clinical programs (PXS-5505 and PXS-6302) and its mannitol division. PXS-5505 for MF is the program on which we place the highest value at A$116m. As such, our valuation is most sensitive to clinical risk associated with the PXS-5505 and PXS-6302 programs at this point.

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.

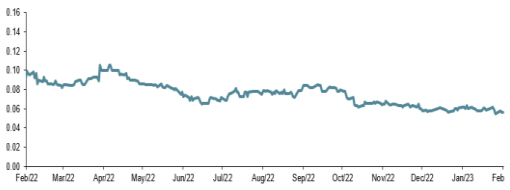
Stock	PXS.ASX
Price	A$0.06
Market cap	A$40m
Valuation	A$0.34 (unchanged)

Company data	
Net cash (end-2QFY23) proforma	$21.3m
Shares on issue (post cap raise)	718.8m

Upcoming news flow

- PXS-6302, scarring: results from placebo-controlled phase of study, 4QFY23
- PXS-5505, MF: completion of Phase 2 study, mid-2023
- PXS-5505, liver cancer: Phase 1c starting soon
- PXS-4728, neurodegenerative disease Phase 2 trial: to start recruiting patients in 1HCY2023

PXS share price (A$)



Source: FactSet.

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[1] JAK inhibitors, such as Jakafi (ruxolitinib) and Inrebic (fedratinib), are current drug options but only provide symptomatic relief plus some limited survival improvement.

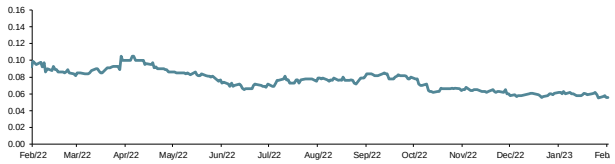
Financials

Pharmaxis PXS-AU

Year end 30 June, AUD unless otherwise noted

MARKET DATA		
Price	**$**	**0.06**
52 week high / low	**$**	0.06-0.11
Valuation	**$**	**0.34**
Market capitalisation	$m	40.3
Shares on issue (basic)	**m**	718.8 *ipital raising)*
Options / rights	m	30.0
Other equity	m	0.0
Shares on issue (diluted)	**m**	**748.8**

12-MONTH SHARE PRICE PERFORMANCE (A$)



INVESTMENT FUNDAMENTALS		FY19A	FY20A	FY21A	FY22A	FY23E
Reported NPAT	$m	(20.1)	(13.9)	(3.0)	(1.9)	(11.7)
Underlying NPAT	**$m**	**(20.1)**	**(13.9)**	**(3.0)**	**(1.9)**	**(11.7)**
Reported EPS (diluted)	¢	(5.3)	(3.5)	(0.7)	(0.3)	(2.1)
Underlying EPS (diluted)	**¢**	**(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	¢	(5.2)	(3.4)	0.8	(2.9)	(1.3)
Free cash flow per share	¢	(5.4)	(3.5)	0.6	(2.9)	(3.0)
Price to free cash flow per share	**x**	**nm**	**nm**	**9.4**	**nm**	**nm**
FCF Yield	%	nm	nm	10.6%	nm	nm
Dividend	**¢**	**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**	**16.3**	**33.6**	**27.9**	**35.6**	**39.1**
EV/EBITDA	x	(0.9)	(2.5)	55.6	(2.9)	(3.7)
EV/EBIT	x	(0.8)	(2.0)	(10.5)	(2.3)	(3.4)
Price to book (NAV)	x	1.5	15.5	8.9	2.8	8.6
Price to NTA	x	1.6	45.2	14.7	3.1	11.2

KEY RATIOS		FY19A	FY20A	FY21A	FY22A	FY23E
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		FY19A	FY20A	FY21A	FY22A	FY23E
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		FY19A	FY20A	FY21A	FY22A	FY23E
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		2H20	1H21	2H21	1H22	2H22
Total Revenue	$m	8.6	13.7	9.9	8.5	1.6
Operating expenses	$m	(13.5)	(11.8)	(11.3)	(14.9)	(13.2)
EBITDA	$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		FY19A	FY20A	FY21A	FY22A	FY23E
Revenue	**$m**	**5.7**	**7.0**	**6.7**	**7.4**	**9.4**
Other income	$m	6.5	5.6	16.9	8.3	4.9
Total Revenue	**$m**	**12.2**	**12.7**	**23.6**	**15.8**	**14.3**
Operating expenses	$m	(30.3)	(25.9)	(23.1)	(28.1)	(23.2)
EBITDA	**$m**	**(18.1)**	**(13.2)**	**0.5**	**(12.3)**	**(8.9)**
Depreciation & Amortisation	$m	(2.6)	(3.2)	(3.2)	(3.2)	(0.8)
EBIT	**$m**	**(20.7)**	**(16.5)**	**(2.7)**	**(15.5)**	**(9.7)**
Net interest	$m	0.9	0.4	0.1	0.2	0.0
Pretax Profit	**$m**	**(20.1)**	**(13.9)**	**(3.0)**	**(1.9)**	**(11.7)**
Tax expense	$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	**$m**	**(20.1)**	**(13.9)**	**(3.0)**	**(1.9)**	**(11.7)**
Weighted average diluted shares	m	381.4	394.7	407.3	562.9	549.1

GROWTH PROFILE		FY19A	FY20A	FY21A	FY22A	FY23E
Revenue	%	(75.8)	4.1	86.5	(33.3)	(9.1)
EBITDA	%	(290.7)	(26.9)	(103.8)	(2,557.1)	(27.6)
EBIT	%	(424.7)	(20.6)	(83.9)	486.5	(37.7)
Reported NPAT	%	(412.0)	(30.5)	(78.7)	(34.8)	502.1
DPS	%	nm	nm	nm	nm	nm

BALANCE SHEET		FY19A	FY20A	FY21A	FY22A	FY23E
Cash	$m	31.1	14.8	18.7	8.9	6.3
Receivables	$m	7.3	7.1	3.0	8.0	4.2
Other	$m	2.1	2.6	3.6	2.3	5.1
Current assets	**$m**	**40.6**	**24.5**	**25.3**	**19.2**	**15.6**
PPE	$m	10.3	8.9	6.2	3.2	2.6
Intangible assets	$m	0.8	0.9	1.1	1.0	1.1
Other	$m	1.1	1.1	0.9	1.7	1.7
Non current assets	**$m**	**12.1**	**10.9**	**8.3**	**6.0**	**5.5**
Total assets	**$m**	**52.7**	**35.4**	**33.6**	**25.2**	**21.1**
Trade and other payables	$m	4.8	3.5	3.8	2.7	5.3
Borrowing	$m	1.2	1.8	2.0	2.0	2.0
Other	$m	2.1	1.5	2.1	1.4	0.7
Current liabilities	**$m**	**8.1**	**6.8**	**7.9**	**6.1**	**8.0**
Borrowing and leases	$m	6.0	6.3	4.3	2.3	2.3
Other liability	$m	15.7	14.0	10.7	0.0	0.0
Non current liabilities	**$m**	**29.7**	**27.2**	**22.9**	**8.3**	**8.3**
Total liabilities	**$m**	**37.9**	**34.0**	**30.7**	**14.4**	**16.3**
Net assets	**$m**	**14.8**	**1.4**	**2.8**	**10.8**	**4.8**
Share capital	$m	367.3	367.3	371.4	380.4	391.1
Retained earnings	$m	(374.2)	(388.2)	(391.2)	(393.1)	(404.8)
Other	$m	21.8	22.3	22.6	23.5	23.5
Total equity	**$m**	**14.8**	**1.4**	**2.8**	**10.8**	**4.8**

CASH FLOW		FY19A	FY20A	FY21A	FY22A	FY23E
Net loss for period	**$m**	**(20.1)**	**(13.9)**	**(3.0)**	**(1.9)**	**(11.7)**
Depreciation & Amortisation	$m	2.9	3.2	3.2	3.2	0.8
Changes in working capital	$m	(5.1)	(1.6)	4.0	(5.9)	3.6
Other	$m	2.5	(1.0)	(1.1)	(11.5)	0.0
Operating cash flow	**$m**	**(19.8)**	**(13.3)**	**3.1**	**(16.1)**	**(7.3)**
Payments for PPE	$m	(0.6)	(0.3)	(0.3)	(0.1)	(0.1)
Other	$m	(0.4)	(0.3)	(0.3)	(0.2)	(0.2)
Investing cash flow	**$m**	**(1.0)**	**(0.6)**	**(0.6)**	**(0.3)**	**(0.3)**
Equity	$m	22.7	0.0	4.1	9.1	10.0
Lease liability payments	$m	(1.6)	(2.2)	(2.3)	(2.4)	0.0
Other	$m	(0.3)	(0.3)	(0.2)	(0.1)	0.0
Financing cash flow	**$m**	**20.8**	**(2.5)**	**1.5**	**6.6**	**10.0**
Cash year end	**$m**	**31.1**	**14.8**	**18.7**	**8.9**	**6.3**
Free cash flow	**$m**	**(20.8)**	**(13.9)**	**2.4**	**(16.4)**	**(16.4)**

Source: Company, MST Access.

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