

5 May 2023

3Q: cash balance comfortable as key trials proceed in tandem

NEED TO KNOW

- \$14.7m cash; \$1.27m net operating cash outflow in 3Q
- PXS-5505 myelofibrosis (MF) study: 21 patients recruited, data coming; new arm fast tracked
- PXS-5302 established scars trial: full recruitment reached, topline results coming 4QFY23

Key financial results – cash burn comfortably met by cash balance:

Pharmaxis announced its 3QFY23 results, with a cash balance of \$14.7m and net operating cash outflow of \$1.27m. The company received its FY22 R&D tax credit of \$4.95m in January and expects the FY23 credit in 4QCY23. The first milestone payment of \$1.45m was received from Parkinson's UK.

Lead asset PXS-5505 (MF) – new study arm coming: Pharmaxis has stated that, after seeing encouraging safety and efficacy data in its Phase 2 monotherapy trial of PXS-5505 in MF (bone cancer), it requested FDA feedback on a planned second study arm. This arm will combine PXS-5505 with the current standard of care (a JAK inhibitor). Pharmaxis stated the FDA feedback was encouraging, and fast-tracked the additional combined therapy arm. This means the company can use existing trial sites, and the trial will conclude sooner. More information on the new arm will be provided in 4Q, as well as more details on completed patient data from the monotherapy arm (21 patients now recruited).

PXS-6302 (established scars) – fully recruited topline results in 4Q: All 50 patients have now received their active or placebo dose and final data is being collated. Topline results on safety and efficacy are due in 4QFY23.

Investment Thesis

A rare combination of skills and assets to facilitate bench-to-bedside research. PXS 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: PXS's drug discovery platform focuses on amine oxidases, an important class of regulatory enzymes widespread in the body whose biological function depends on cofactors and location in human tissue and organs.

Deep clinical pipeline: The company's most advanced clinical asset, PXS-5505, targeting primary myelofibrosis (a rare bone marrow cancer involving fibrosis), is currently in Phase 2 clinical trials. PXS-5505 is a novel small molecule and irreversible inhibitor to key enzymes involved in the formation of collagen, specifically the lysyl oxidase (LOX) family of proteins, whose overproduction is implicated in many conditions of chronic inflammation and pathological fibrosis.

Valuation

Our fair value estimate is A\$0.34/share (unch.), using a DCF-based SOTP. This comprises the two clinical programs (PXS-5505, PXS-6302) and the mannitol division. We place the most value on the PXS-5505 (MF) program, at A\$116m.

Risk

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

Report prepared by MST Access, a registered business name of MST Financial services ABN 617 475 180 AFSL 500 557

MST Access has been engaged and paid by the company covered in this report for ongoing research coverage. Please refer to full disclaimers and disclosures.

Equities Research Australia

Pharmaceuticals, Biotechnology and Life Sciences

Chris Kallos, CFA, Senior Analyst
chris.kallos@mstaccess.com.au



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\$0.06
Market cap	A\$44m
Cash on hand	A\$14.7m (31 March 2023)

Upcoming Catalysts/Newsflow

Period	
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: Interim data from Phase 2 study

Share Price (A\$)



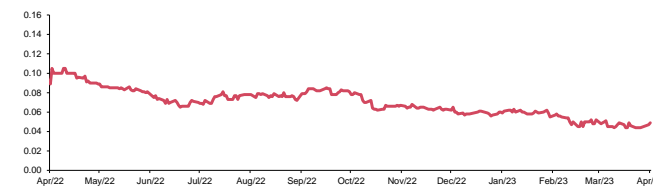
Source: FactSet, MST Access.

Year end 30 June, AUD unless otherwise noted

MARKET DATA

Price	\$	0.06
52 week high / low	\$	0.04-0.11
Valuation	\$	0.34
Market capitalisation	\$m	43.9
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

		FY21A	FY22A	FY23E	FY24E	FY25E
Reported NPAT	\$m	(3.0)	(1.9)	(3.0)	(3.0)	(3.0)
Underlying NPAT	\$m	(3.0)	(1.9)	(3.0)	(3.0)	(3.0)
Reported EPS (diluted)	c	(0.7)	(0.3)	(0.7)	(0.7)	(0.7)
Underlying EPS (diluted)	c	(0.7)	(0.3)	(0.7)	(0.7)	(0.7)
Growth	%		-52.8%	-79.4%	-52.8%	517.3%
Underlying PER	x	nm	nm	nm	nm	nm
Operating cash flow per share	c	0.8	(4.1)	0.8	(2.9)	(1.3)
Free cash flow per share	c	0.6	(4.2)	0.6	(2.9)	(3.0)
Price to free cash flow per share	x	10.2	nm	8.2	nm	nm
FCF Yield	%	9.8%	nm	12.2%	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	31.5	39.2	22.9	30.6	39.1
EV/EBITDA	x	62.9	(3.0)	45.6	(2.5)	(3.7)
EV/EBIT	x	(11.9)	(2.4)	(8.6)	(2.0)	(3.4)
Price to book (NAV)	x	9.7	3.1	12.4	3.3	7.8
Price to NTA	x	16.0	3.4	20.6	3.7	12.9

KEY RATIOS

		FY21A	FY22A	FY23E	FY24E	FY25E
EBITDA margin	%	7.5	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	0.0	0.0	0.0
Net debt/(cash)	\$m	(12.4)	(4.6)	(12.4)	(12.4)	(12.4)
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

		FY21A	FY22A	FY23E	FY24E	FY25E
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	0.2	0.3	0.2	0.3	0.4
Return on Assets	%	nm	nm	nm	nm	nm
Financial Leverage	x	2,222.1	397.1	1,507.9	397.1	2,222.1
Return on Equity	%	nm	nm	nm	nm	nm

KEY PERFORMANCE INDICATORS

		FY21A	FY22A	FY23E	FY24E	FY25E
Bronchitol	\$m	5.2	5.8	7.8	9.7	12.1
Aridol	\$m	1.4	1.6	1.6	1.6	1.6
Clinical development pipeline	Indication			Status		
PXS-5505	Myelofibrosis			Phase 2a		
PXS-6302	Anti-scarring			Phase 1c completed		

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

		FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	\$m	6.7	7.0	6.7	7.4	9.4
Other income	\$m	16.9	5.6	16.9	8.3	4.9
Total Revenue	\$m	23.6	12.7	23.6	15.8	14.3
Operating expenses	\$m	(23.1)	(25.9)	(23.1)	(28.1)	(23.2)
EBITDA	\$m	0.5	(13.2)	0.5	(12.3)	(8.9)
Depreciation & Amortisation	\$m	(3.2)	(3.2)	(3.2)	(3.2)	(0.8)
EBIT	\$m	(2.7)	(16.5)	(2.7)	(15.5)	(9.7)
Net interest	\$m	0.1	0.4	0.1	0.2	0.0
Pretax Profit	\$m	(3.0)	(13.9)	(3.0)	(1.9)	(11.7)
Tax expense	\$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	\$m	(3.0)	(13.9)	(3.0)	(1.9)	(11.7)
Weighted average diluted shares	m	407.3	394.7	407.3	562.9	549.1

GROWTH PROFILE

		FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	%	86.5	4.1	86.5	(33.3)	(9.1)
EBITDA	%	(103.8)	(26.9)	(103.8)	(2,557.1)	(27.6)
EBIT	%	(83.9)	(20.6)	(83.9)	486.5	(37.7)
Reported NPAT	%	(78.7)	(30.5)	(78.7)	(34.8)	502.1
DPS	%	nm	nm	nm	nm	nm

BALANCE SHEET

		FY21A	FY22A	FY23E	FY24E	FY25E
Cash	\$m	18.7	8.9	18.7	18.7	18.7
Receivables	\$m	3.0	8.0	4.2	5.0	6.1
Other	\$m	3.6	2.3	5.1	6.2	7.5
Current assets	\$m	25.3	19.2	25.3	25.3	25.3
PPE	\$m	6.2	3.2	2.6	2.2	1.8
Intangible assets	\$m	1.1	1.0	1.1	1.2	1.3
Other	\$m	0.9	1.7	1.7	1.7	1.7
Non current assets	\$m	8.3	6.0	5.5	5.1	4.8
Total assets	\$m	33.6	25.2	33.6	33.6	33.6
Trade and other payables	\$m	3.8	2.7	5.3	6.4	7.7
Borrowing	\$m	2.0	2.0	2.0	2.0	2.0
Other	\$m	2.1	1.4	0.7	0.7	0.7
Current liabilities	\$m	7.9	6.1	8.0	9.1	10.5
Borrowing and leases	\$m	4.3	2.3	2.3	2.3	2.3
Other liability	\$m	18.6	6.0	6.0	6.0	6.0
Non current liabilities	\$m	22.9	8.3	8.3	8.3	8.3
Total liabilities	\$m	30.7	14.4	16.3	17.4	18.7
Net assets	\$m	2.8	10.8	2.8	2.8	2.8
Share capital	\$m	371.4	380.4	391.1	391.1	391.1
Retained earnings	\$m	(391.2)	(393.1)	(391.2)	(391.2)	(391.2)
Other	\$m	22.6	23.5	23.5	23.5	23.5
Total equity	\$m	2.8	10.8	2.8	2.8	2.8

CASH FLOW

		FY21A	FY22A	FY23E	FY24E	FY25E
Net loss for period	\$m	(3.0)	(1.9)	(3.0)	(3.0)	(3.0)
Depreciation & Amortisation	\$m	3.2	3.2	0.8	0.7	0.6
Changes in working capital	\$m	4.0	(5.9)	3.6	(0.8)	(1.0)
Other	\$m	(1.1)	(11.5)	(1.1)	(1.1)	(1.1)
Operating cash flow	\$m	3.1	(16.1)	3.1	3.1	3.1
Payments for PPE	\$m	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)
Other	\$m	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Investing cash flow	\$m	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)
Equity	\$m	4.1	9.1	10.0	0.0	0.0
Lease liability payments	\$m	(2.3)	(2.4)	0.0	0.0	0.0
Other	\$m	(0.2)	(0.1)	0.0	0.0	0.0
Financing cash flow	\$m	1.5	6.6	10.0	0.0	0.0
Cash year end	\$m	18.7	8.9	18.7	18.7	18.7
Free cash flow	\$m	2.4	(16.4)	2.4	2.4	2.4

Methodology & Disclosures

MST Access is a registered business name of MST Financial Services Pty Ltd (ACN 617 475 180 "MST Financial") which is a limited liability company incorporated in Australia on 10 April 2017 and holds an Australian Financial Services Licence (Number: 500 557). This research is issued in Australia through MST Access which is the research division of MST Financial. The research and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by MST Access is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a financial product you should read any relevant Product Disclosure Statement or like instrument.

This report has been commissioned by Pharmaxis and prepared and issued by Chris Kallos of MST Access in consideration of a fee payable by Pharmaxis. MST Access receives fees from the company referred to in this document, for research services and other financial services or advice we may provide to that company

MST Financial also provides equity capital markets ("ECM") and corporate advisory services through its capital markets division, MST Capital Markets ("MST Capital"). MST Capital provides these services to a range of companies including clients of the MST Access service. As such, MST Capital may in future provide ECM and/or corporate advisory services to the company that is the subject of this research report and, accordingly, may receive fees from the company for providing such services. However, MST Financial has measures in place to ensure the independence of its research division is maintained, including information barriers between its Capital Markets and Research teams. In addition, neither MST Access, nor any of its research analysts, receive any financial benefit that is based on the revenues generated by MST Capital Markets or any other division of MST Financial.

The analyst has received assistance from the company in preparing this document. The company has provided the analyst with communication with senior management and information on the company and industry. As part of due diligence, the analyst has independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in the report. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing this report and making the recommendation. Where MST Access has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid will either directly or indirectly impact the content provided.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently certified. Opinions contained in this report represent those of MST Access at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results and estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of liability: To the fullest extent allowed by law, MST Access shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained in this report. No guarantees or warranties regarding accuracy, completeness or fitness for purpose are provided by MST Access, and under no circumstances will any of MST Financials' officers, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the content.

General Advice Warning

MST Access Research may not be construed as personal advice or recommendation. MST encourages investors to seek independent financial advice regarding the suitability of investments for their individual circumstances and recommends that investments be independently evaluated. Investments involve risks and the value of any investment or income may go down as well as up. Investors may not get back the full amount invested. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realised. If provided, and unless otherwise stated, the closing price provided is that of the primary exchange for the issuer's securities or investments. The information contained within MST Access Research is published solely for information purposes and is not a solicitation or offer to buy or sell any financial instrument or participate in any trading or investment strategy. Analysis contained within MST Access Research publications is based upon publicly available information and may include numerous assumptions. Investors should be aware that different assumptions can and do result in materially different results.

MST Access Research is distributed only as may be permitted by law. It is not intended for distribution or use by any person or entity located in a jurisdiction where distribution, publication, availability or use would be prohibited. MST makes no claim that MST Access Research content may be lawfully viewed or accessed outside of Australia. Access to MST Access Research content may not be legal for certain persons and in certain jurisdictions. If you access this service or content from outside of Australia, you are responsible for compliance with the laws of your jurisdiction and/or the jurisdiction of the third party receiving such content. MST Access Research is provided to our clients through our proprietary research portal and distributed electronically by MST to its MST Access clients. Some MST Access Research products may also be made available to its clients via third party vendors or distributed through alternative electronic means as a convenience. Such alternative distribution methods are at MST's discretion.

Access & Use

Any access to or use of MST Access Research is subject to the [Terms and Conditions](#) of MST Access Research. By accessing or using MST Access Research you hereby agree to be bound by our Terms and Conditions and hereby consent to MST collecting and using your personal data (including cookies) in accordance with our [Privacy Policy](#), including for the purpose of a) setting your preferences and b) collecting readership data so we may deliver an improved and personalised service to you. If you do not agree to our Terms and Conditions and/or if you do not wish to consent to MST's use of your personal data, please do not access this service.

Copyright of the information contained within MST Access Research (including trademarks and service marks) are the property of their respective owners. MST Access Research, video interviews and other materials, or any portion thereof, may not be reprinted, reproduced, sold or redistributed without the prior written consent of MST.