TAYLOR COLLISON

Dr DENNIS HULME
dhulme@taylorcollison.com.au
+612 9377 1500
www.taylorcollison.com.au

# Pharmaxis (PXS)

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**Speculative Investment**

**Outperform**

## Progressing to next stage in scarring and myelofibrosis

### Our View

PXS reported encouraging proof of concept data last month for its PXS-6302 skin scar treatment. PXS-6302 reduced the excess collagen content in established scars by up to 50%. While there was no overall improvement in scar appearance, this was not surprising given the average age of the scars treated (~13 years) and the short duration of treatment.

PXS intends to progress PXS-6302 into a second randomised trial in skin scarring, in collaboration with Prof. Fiona Wood and the University of WA. An update on plans for PXS-6302 is expected in the next few months.

Both PXS-6302 and PXS-5505 will progress to the next stage of development. PXS announced in April that it will progress PXS-5505 to a Phase II study in combination with standard of care JAK inhibitor therapy in myelofibrosis (MF).

The **next milestone** for PXS will be a significant **data update on the PXS-5505** monotherapy trial in **MF patients**, expected in the **next few weeks**. The PXS-5505 trial is also expected to report topline data from all subjects in Q4 CY23.

We value PXS at 19c/sh or 16c/sh diluted for a $12m capital raise in FY25.

### Key Points

**Proof of concept in wound scars**

The placebo-controlled study of topical PXS-6302 treated 42 patients with an established scar for 3 months. PXS-6302 inhibited the targeted lysyl oxidase (LOX) enzymes by 66%. Biopsies of treated scars showed that PXS-6302 treatment reduced collagen content by 30% compared to placebo. Prof Wood estimated that up to 50% of the excess collagen had been removed from the treated scars; she was confident that a longer period of treatment would result in improvements in scar appearance due to ongoing scar remodelling processes.

**Looking for comparable PXS-5505 efficacy in larger MF cohort**

The PXS-5505 monotherapy trial is recruiting MF patients who are ineligible for or failed JAK inhibitor therapy and have very limited treatment options. Last October PXS reported encouraging signs of clinical activity from the first 6 patients to complete 24 weeks of treatment: 2 had clinically important improvement in symptoms; 5 had stable or improved bone marrow fibrosis scores; and 5 had stable or improved platelet and/or haemoglobin scores. The improvement in platelet and haemoglobin scores suggest PXS-5505 is well suited for use in combination with JAK inhibitors, which often cause anaemia.

The trial had recruited 18 subjects by January and 21 of the target of 24 by late April. We estimate that by now ~12 subjects would have completed 24 weeks of treatment with PXS-5505. If PXS-5505 shows similar clinical activity in this larger cohort of patients, it would increase our confidence that adding PXS-5505 to JAK inhibitor therapy would result in further improvements in bone marrow fibrosis and blood cell counts, with subsequent reductions in spleen volume.

**PXS-5505/JAK inhibitor combo trial to commence this year**

PXS expects to commence recruitment in the JAK/PXS-5505 combo therapy trial before the end of CY23. We expect a final 24-week data readout in Q1 CY25. As the trial is open label, we would expect interim data updates in 2024. If the interim data is sufficiently encouraging, we could see a decision to progress to a pivotal randomised Phase IIb/III trial taken before the end of 2024.

**Cash and balance sheet**

PXS had $14.7m cash at 31 March, which should support operations for the next 12 months. However, we expect that it will need additional funds in FY25 (we model a $12m share issue).

***Our conflicts of interests are disclosed on the last page of this report.***

### Summary (AUD)

| | |
|---|---|
| **Market Capitalisation** | **$34M** |
| **Share price** | **$0.046** |
| 52 week low | $0.042 |
| 52 week high | $0.087 |
| Cash as at 31 March 2023 | $14.7m |

**Share price graph (AUD)**


### Key Financials (AUDm)

| | FY22A | FY23E | FY24E |
|---|---|---|---|
| Revenue ($m) | 15.6 | 18.7 | 13.4 |
| R&D ($m) | (10.5) | (10.6) | (10.9) |
| SG&A ($m) | (4.4) | (4.3) | (4.5) |
| EBITDA ($m) | (11.2) | (7.4) | (13.1) |
| Reported NPAT ($m) | (1.9) | (8.5) | (14.1) |
| NPAT Adj. ($m) | (1.9) | (8.5) | (14.1) |
| EPS Adj. (c) | (0.4) | (1.3) | (2.0) |
| PE ratio (x) | n/a | n/a | n/a |
| DPS (c) | 0.0 | 0.0 | 0.0 |
| EV/Sales | 1.8 | 1.5 | 2.1 |
| EV/EBITDA (x) | n/a | n/a | n/a |
| ROE | n/a | n/a | n/a |

## Pharmaxis - Summary of Forecasts — PXS $ 0.046

### PROFIT & LOSS SUMMARY (A$m)

| Year end June | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|
| Mannitol segment revenue | 9.8 | 6.3 | 7.6 | 9.0 |
| Other royalties, milestones | 0.8 | 7.2 | 0.0 | 0.0 |
| Other (incl. R&D tax incentive) | 5.1 | 5.2 | 5.8 | 5.2 |
| **Total Revenue** | **15.6** | **18.7** | **13.4** | **14.2** |
| Growth (pcp) | -34% | 19.7% | -28.2% | 5.6% |
| Mannitol segment expenses | (11.1) | (11.1) | (11.2) | (11.2) |
| R&D Expenses | (10.5) | (10.6) | (10.9) | (10.5) |
| Corporate & other expenses | (4.4) | (4.3) | (4.5) | (4.6) |
| **EBITDA** | **(11.2)** | **(7.4)** | **(13.1)** | **(12.2)** |
| Dep'n/Amort'n | (3.2) | (1.0) | (0.7) | (0.5) |
| EBIT | (14.4) | (8.3) | (13.8) | (12.7) |
| Net Interest | 0.2 | 0.1 | 0.1 | 0.0 |
| NovaQuest Payments | 0.0 | (0.3) | (0.4) | (0.6) |
| Pre-Tax Profit | (1.9) | (8.5) | (14.1) | (13.3) |
| Tax Expense | 0.0 | 0.0 | 0.0 | 0.0 |
| **NPAT Adj.** | **(1.9)** | **(8.5)** | **(14.1)** | **(13.3)** |
| Growth (pcp) | n/a | n/a | n/a | n/a |
| Adjustments | 0.0 | 0.0 | 0.0 | 0.0 |
| NPAT Reported | (1.9) | (8.5) | (14.1) | (13.3) |

### PER SHARE DATA

| Year end June | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|
| **EPS (c) - Reported** | **(0.4)** | **(1.3)** | **(2.0)** | **(1.7)** |
| Growth (pcp) | n/a | n/a | n/a | n/a |
| EPS (c) - Adjusted | (0.4) | (1.3) | (2.0) | (1.7) |
| Growth (pcp) | n/a | n/a | n/a | n/a |
| Dividend (c) | 0.0 | 0.0 | 0.0 | 0.0 |
| Franking | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross CF per share (c) | (3.4) | (0.7) | (1.8) | (1.4) |
| NTA per share (c) | 1.8 | 1.5 | (0.3) | (0.4) |

### KEY RATIOS

| Year end June | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|
| Net Debt : Equity (%) | -41% | -79% | -229% | -100% |
| Net Debt: EBITDA (x) | 0.4 | 1.3 | (0.2) | (0.2) |
| Current ratio (x) | 3.2 | 4.2 | 1.6 | 1.5 |
| ROE (%) | -28% | -74% | -262% | 636% |
| ROIC (%) | 992% | n/a | n/a | n/a |
| Dividend Payout Ratio (%) | n/a | n/a | n/a | n/a |

### VALUATION MULTIPLES

| Year end June | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|
| **PE Ratio (x)** | **n/a** | **n/a** | **n/a** | **n/a** |
| **Dividend Yield (%)** | **0.0%** | **0.0%** | **0.0%** | **0.0%** |
| EV/Sales (x) | 1.8 | 1.5 | 2.1 | 2.0 |
| EV/EBITDA (x) | n/a | n/a | n/a | n/a |
| EV/EBIT (x) | n/a | n/a | n/a | n/a |

### CAPITAL RAISING ASSUMPTIONS

| Year end June | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|
| Shares Issued (m) | 87.6 | 166.7 | 0.0 | 150.0 |
| Issue Price (A$) | 0.105 | 0.06 | 0.00 | 0.08 |
| Gross Cash Raised (A$m) | 9.8 | 10.0 | 0.0 | 12.0 |

### BALANCE SHEET SUMMARY

| Year end June | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|
| Cash | 8.9 | 14.1 | 1.4 | 1.7 |
| Receivables | 8.0 | 4.8 | 5.4 | 5.1 |
| Inventories | 2.3 | 1.8 | 1.8 | 1.8 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Current Assets | 19.2 | 20.6 | 8.6 | 8.6 |
| Inventories | 0.0 | 0.0 | 0.0 | 0.0 |
| Property Plant & Equip | 3.2 | 2.2 | 1.6 | 1.1 |
| Intangibles | 1.0 | 1.0 | 1.0 | 1.0 |
| Other | 1.7 | 1.7 | 1.7 | 1.7 |
| Total Current Assets | 6.0 | 5.0 | 4.3 | 3.8 |
| **TOTAL ASSETS** | **25.2** | **25.6** | **12.9** | **12.4** |
| Accounts Payable | 2.7 | 1.6 | 1.9 | 2.2 |
| Borrowings | 2.3 | 2.3 | 2.3 | 2.3 |
| Employee benefit obligations | 1.1 | 1.1 | 1.1 | 1.1 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Current Liab | 6.1 | 5.0 | 5.3 | 5.6 |
| Borrowings | 2.3 | 2.3 | 2.3 | 2.3 |
| Provisions | 0.1 | 0.1 | 0.1 | 0.1 |
| Other | 5.9 | 5.9 | 5.9 | 5.9 |
| Total Non-Current Liab | 8.3 | 8.3 | 8.3 | 8.3 |
| **TOTAL LIABILITIES** | **14.4** | **13.2** | **13.6** | **13.9** |
| **TOTAL EQUITY** | **10.8** | **12.4** | **(0.7)** | **(1.5)** |

### CASH FLOW SUMMARY

| Year end June | FY22A | FY23E | FY24E | FY25E |
|---|---|---|---|---|
| **EBIT (excl Abs/Extr)** | **(14.4)** | **(8.3)** | **(13.8)** | **(12.7)** |
| Add: Dep'n & Amort'n | 3.2 | 1.0 | 0.7 | 0.5 |
| Other non-cash items | (1.4) | (0.6) | 0.9 | (2.6) |
| Less: Tax paid | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Interest | 0.2 | 0.1 | 0.1 | 0.0 |
| Change in Rec. | (5.0) | 3.2 | (0.6) | 0.4 |
| Change in Inv. | 1.3 | 0.6 | (0.0) | (0.0) |
| Gross Cashflows | (16.1) | (4.1) | (12.7) | (10.9) |
| Capex | (0.3) | 0.0 | 0.0 | 0.0 |
| Free Cashflows | (16.2) | (4.1) | (12.7) | (10.9) |
| Share Issue Proceeds | 9.1 | 9.3 | 0.0 | 11.3 |
| Other | (2.7) | 0.0 | 0.0 | 0.0 |
| Dividends Paid | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net Cashflows** | **(9.8)** | **5.1** | **(12.7)** | **0.3** |
| FX Effect on Cash | 0.0 | 0.0 | 0.0 | 0.0 |

### PXS base case valuation summary

| | Probability (%) | Valuation (A$m) | Valuation A$/share) |
|---|---|---|---|
| PXS-5505 in myelofibrosis | 15% | 84.4 | 0.12 |
| PXS-6302 in wound scarring | 15% | 58.1 | 0.08 |
| Mannitol respiratory business | 100% | (7.5) | (0.01) |
| SG&A | - | (15.7) | (0.02) |
| Portfolio total | - | 119.3 | 0.17 |
| Cash (end FY23e) | - | 14.1 | 0.02 |
| Total Valuation | - | 133.3 | 0.19 |

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Analyst: Dr Dennis Hulme

Release Authorised by: Campbell Taylor

**TAYLOR COLLISON LIMITED**
**Sharebrokers and Investment Advisors**
Established 1928

**ADELAIDE**
Level 16, 211 Victoria Square
Adelaide SA 5000
GPO Box 2046
Adelaide SA 5001
Telephone 08 8217 3900
Facsimile 08 8321 3506
broker@taylorcollison.com.au

**SYDNEY**
Level 10, 151 Macquarie Street
Sydney NSW 2000
GPO Box 4261
Sydney NSW 2001
Telephone 02 9377 1500
Facsimile 02 9232 1677
sydney1@taylorcollison.com.au

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ABN 53008172450
AFSL 247083