

1 November 2023

1Q: refocused business cutting expenses, progressing trials

NEED TO KNOW

- \$7.15m cash; more coming (tax rebate, grant payment)
- Mannitol business now sold; expenses to fall
- Clinical pipeline moving along with lots more potential; Phase 2 PXS-5505 combination trial to start recruiting

Cash healthy, with more coming from R&D tax rebate, Parkinson's UK:

Pharmaxis (PXS) has announced its 1QFY24 results, ending the period with \$7.15m in cash (down from \$9.23m at the end of the previous quarter). The cash balance will be boosted shortly by an expected R&D tax credit for FY23 of \$5.2m (from which it will repay the principal and interest of its August 2023 \$4.4m loan), as well as its next payment from Parkinson's UK of £900,000 (approx. A\$1.7m).

Opex to fall post mannitol sale – a more focused and nimble business: PXS highlights that its new corporate structure (with the drug development business under the new name of Syntara and the mannitol business now sold) will have significantly lower future core operating expenses, and that it will remain focused on cutting costs even more. The new, smaller Board (with some members having retired) is now chaired by Dr Kathleen Metters and has three other members.

Phase 2 trial of PXS-5505 + ruxolitinib in MF to start recruitment: This key trial for PXS's primary drug development initiative + JAK inhibitor ruxolitinib (standard of care) will expand the current monotherapy trial. 15 patients who now take ruxolitinib will receive ruxolitinib + PXS-5505 for 52 weeks. PXS expects the first patient to be recruited by end-2023. The company is also progressing its other candidates across various phases, with several trials recruiting or ongoing.

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 (MF, 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 forming collagen, specifically the lysyl oxidase (LOX) family of proteins, whose overproduction is implicated in many conditions of chronic inflammation and pathological fibrosis.

Valuation

Our valuation for Pharmaxis stands at \$251m or A\$0.33/share fully diluted, using a risk-adjusted NPV-based SOTP (sum-of-the-parts) approach. This comprises the three clinical programs (PXS-5505, PXS-6302, PXS-4728) and 8-year royalty stream from the divested mannitol respiratory business.

Risks

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

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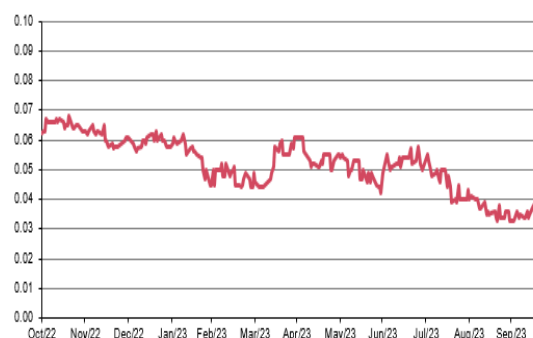
Pharmaxis is a clinical-stage drug discovery company developing novel small molecule drugs for inflammatory and fibrotic diseases with major unmet medical need. It is a leader in mechanism-based inhibitors of amine oxidases. It is targeting cancers (e.g., myelofibrosis, pancreatic and liver cancer), 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.

Valuation	A\$0.33 (unchanged)
Current price	A\$0.04
Market cap	A\$25m
Cash on hand	A\$7.15m (30 Sept 2023)

Upcoming Catalysts/Newsflow

Period	
2HCY23	PXS-4728: neurodegenerative disease Phase 2 trial to start recruiting patients
2HCY23	PXS-6302: scarring program update
2HCY23	PXS-5505: final results of MF study and presentation at ASH
1HCY24	PXS-5505: readout of Phase 2 bone marrow cancer trial (combination w/ standard of care)

Share Price (A\$)



Source: FactSet, MST Access.

Financial Summary

Pharmaxis						PXS-AU
Year end 30 June, AUD unless otherwise noted						
MARKET DATA						12-MONTH SHARE PRICE PERFORMANCE (AS)
Price	\$	0.03				
52 week high / low	\$	0.03-0.08				
Valuation	\$	0.33				
Market capitalisation	\$m	23.1				
Shares on issue (basic)	m	722.1				
Options / rights	m	38.2				
Other equity	m	0.0				
Shares on issue (diluted)	m	760.3				
INVESTMENT FUNDAMENTALS						PROFIT AND LOSS *
Reported NPAT	\$m	(1.9)	(11.4)	(17.1)	(11.0)	(11.0)
Underlying NPAT	\$m	(1.9)	(11.4)	(17.1)	(11.0)	(11.0)
Reported EPS (diluted)	¢	(0.3)	(1.7)	(2.3)	(1.0)	(1.0)
Underlying EPS (diluted)	¢	(0.3)	(1.7)	(2.3)	(1.0)	(1.0)
Growth	%					
Underlying PER	x	nm	nm	nm	nm	nm
Operating cash flow per share	¢	(3.0)	(1.0)	(2.0)	(0.7)	(0.9)
Free cash flow per share	¢	(3.0)	(1.0)	(2.0)	(0.7)	(0.9)
Price to free cash flow per share	x	nm	nm	nm	nm	nm
FCF Yield	%	nm	nm	nm	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%	100.0%	200.0%	300.0%	400.0%
Enterprise value	\$m	18.5	18.5	15.9	25.5	20.5
EV/EBITDA	x	(1.5)	(2.0)	(2.1)	(2.4)	(1.9)
EV/EBIT	x	(1.2)	(1.6)	(2.0)	(2.3)	(1.9)
Price to book (NAV)	x	1.6	2.4	9.1	5.6	6.5
Price to NTA	x	1.8	2.6	10.7	6.0	7.0
KEY RATIOS						GROWTH PROFILE
EBITDA margin	%	nm	nm	nm	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	(4.6)	(4.6)	(7.2)	(0.5)	(5.5)
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						BALANCE SHEET
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	0.3	0.2	0.4	0.0	0.0
Return on Assets	%	nm	nm	nm	nm	nm
Financial Leverage	x	397.1	448.8	530.2	261.5	301.3
Return on Equity	%	nm	nm	nm	nm	nm
KEY PERFORMANCE INDICATORS						CASH FLOW
Bronchitol	\$m	5.8	4.3	5.1	5.1	5.1
Aridol	\$m	1.6	1.6	1.6	1.6	1.6
Clinical development pipeline						
PXS-5505	Myelofibrosis					Phase 2a
PXS-6302	Anti-scarring					Phase 1c completed
PXS-4728	isolated REM Sleep Behaviour Disorder (IRBD)					Phase 2
HALF YEARLY DATA						
Total Revenue	\$m	9.9	8.5	1.6	9.2	10.0
Operating expenses	\$m	(11.3)	(15.6)	(12.5)	(12.6)	(16.0)
EBITDA	\$m	(1.4)	(7.1)	(10.9)	(3.4)	(6.0)
EBIT	\$m	(1.4)	(8.6)	(12.4)	(4.8)	(6.5)
PBT	\$m	(3.0)	(8.8)	1.3	(4.9)	(6.6)
Reported NPAT	\$m	(3.0)	(8.8)	1.3	(4.9)	(6.6)
						Net loss for period
						Depreciation & Amortisation
						Changes in working capital
						Other
						Operating cash flow
						Payments for PPE
						Other
						Investing cash flow
						Equity
						Lease liability payments
						Other
						Financing cash flow
						Cash year end
						Free cash flow

Source: Company reports, MST Access estimates (NB: In FY24, MST assumes cap raise of \$10m @ \$0.06 per share)

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