

Making tracks with concurrent trials; 2Q results announced

Pharmaxis has released its 2QFY22 results and updated the market on the progress of clinical trials for its drug candidates. Patient recruitment in Australia and South Korea for the PXS-5505 myelofibrosis (MF) dose expansion phase trial is tracking well. The company plans to commence a 1c/2a trial of PXS-5505 in liver cancer in 1HCY22. The topical safety trial for scarring in PXS-6302 has dosed its first candidates with data expected by 2HCY22. The mannitol business was flat for the quarter. Pharmaxis has cash on hand of \$21m.

PXS-6302 scar trial: First patients dosed

A research team at the University of Western Australia (UWA), led by Professor Fiona Wood AM, has dosed its first patients in a trial of PXS-6302. The three-month trial, which will assess the safety and tolerability of the topical drug in 50 patients with established scars as well as examining its effect on the scar structure and appearance, is expected to report data in 2HCY22.

PXS-5505 MF trial: Recruitment on track

Pharmaxis continues its recruitment of Australian and South Korean patients for its MF 2a clinical trial, and has also added sites in Taiwan and the US in order to obtain a sufficient number of participants given the rarity of this disease. The company plans to finish its recruitment by mid-CY22 and complete the six-month drug treatments for all participants by end-CY22, allowing trial safety and efficacy data to be made available by the end of the year.

PXS-5505: Expanding to liver cancer

Pharmaxis has indicated that its recent \$9.6m capital raising will facilitate a study of PXS-5505 in the treatment of hepatocellular cancer (liver cancer) with its collaborator the University of Rochester (NY). The university has obtained an IND approval to study PXS-5505 as an treatment alongside chemotherapy for new liver cancer patients. The company has indicated that it is working on an agreement with the university for the study to commence in 1HCY22.

Mannitol flat on COVID pressures

The mannitol business was flat for the quarter, with COVID limiting access to testing and hampering the company's ramp-up of the drug in the US market. This result remains in line with our forecast for FY22.

Valuation: \$0.45/share, with biggest contribution from PXS-5505 for MF

Our fair value estimate, pending commencement of the PXS-5505 liver cancer trial, stands at A\$247m or A\$0.45 per share based on sum-of-the-parts comprising the 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.



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® and Aridol®, now sold globally.

Stock	PXS.ASX
Price	A\$0.10
Market cap	A\$58M
Valuation	A\$0.45

Company data

Net cash (end-1Q22)	A\$21m
Shares on issue	548.9m
Code ASX	PXS

Upcoming news flow

PXS-5505 trial	Myelofibrosis
PXS-6302 trial	Anti-scarring

PXS share price (A\$)



Source: FactSet.

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Financials

Exhibit 1: Financial summary

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Pharmaxis						PXS-AU									
Year end 30 June, AUD unless otherwise noted															
MARKET DATA						12-MONTH SHARE PRICE PERFORMANCE (AS)									
Price	\$	0.10													
52 week high / low	\$	0.07-0.14													
Valuation	\$	0.45													
Market capitalisation	\$m	54.3													
Shares on issue (basic)	m	548.9													
Options / rights	m	25.0													
Other equity	m	0.0													
Shares on issue (diluted)	m	574.0													
INVESTMENT FUNDAMENTALS						PROFIT AND LOSS									
Reported NPAT	\$m	(20.1)	(13.9)	(3.0)	(14.4)	(3.2)	Revenue	\$m	5.7	7.0	6.7	12.3	15.8		
Underlying NPAT	\$m	(20.1)	(13.9)	(3.0)	(14.4)	(3.2)	Other income	\$m	6.5	5.6	16.9	2.3	3.9		
Reported EPS (diluted)	e	(5.3)	(3.5)	(0.7)	(3.2)	(0.7)	Total Revenue	\$m	12.2	12.7	23.6	14.6	19.7		
Underlying EPS (diluted)	e	(5.3)	(3.5)	(0.7)	(3.2)	(0.7)	Operating expenses	\$m	(30.3)	(25.9)	(23.1)	(27.4)	(21.4)		
Growth	%		-32.8%	-79.4%	335.1%	-78.0%	EBITDA	\$m	(18.1)	(13.2)	0.5	(12.8)	(1.7)		
Underlying PER	x	nm	nm	nm	nm	nm	Depreciation & Amortisation	\$m	(2.6)	(3.2)	(3.2)	(1.4)	(1.3)		
Operating cash flow per share	e	(5.2)	(3.4)	0.8	(3.4)	(0.8)	EBIT	\$m	(20.7)	(16.5)	(2.7)	(14.2)	(2.9)		
Free cash flow per share	e	(5.4)	(3.5)	0.6	(3.5)	(3.5)	Net interest	\$m	0.9	0.4	0.1	0.0	0.0		
Price to free cash flow per share	x	nm	nm	16.6	nm	nm	Pretax Profit	\$m	(20.1)	(13.9)	(3.0)	(14.4)	(3.2)		
FCF Yield	%	nm	nm	6.0%	nm	nm	Tax expense	\$m	0.0	0.0	0.0	0.0	0.0		
Dividend	e	0.0	0.0	0.0	0.0	0.0	Reported NPAT	\$m	(20.1)	(13.9)	(3.0)	(14.4)	(3.2)		
Payout	%	0.0%	0.0%	0.0%	0.0%	0.0%	Weighted average diluted shares	m	381.4	394.7	407.3	454.4	454.4		
Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	GROWTH PROFILE								
Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%	Revenue	%	(75.8)	4.1	86.5	(38.0)	34.7		
Enterprise value	\$m	30.4	47.7	42.0	46.0	45.2	EBITDA	%	(290.7)	(26.9)	(103.8)	(2,646.6)	(86.8)		
EVEBIT DA	x	(1.7)	(3.6)	83.7	(3.6)	(26.9)	EBIT	%	(424.7)	(20.6)	(83.9)	434.5	(79.3)		
EVEBIT	x	(1.5)	(2.9)	(15.8)	(3.2)	(15.4)	Reported NPAT	%	(412.0)	(30.5)	(78.7)	385.4	(78.0)		
Price to book (NAV)	x	2.6	27.3	15.8	105.0	20.0	DPS	%	nm	nm	nm	nm	nm		
Price to NTA	x	2.8	79.9	26.0	(51.8)	57.0	BALANCE SHEET								
KEY RATIOS		FY19A	FY20A	FY21A	FY22E	FY23E	Cash	\$m	31.1	14.8	18.7	14.6	15.5		
EBIT DA margin	%	nm	nm	7.5	nm	nm	Receivables	\$m	7.3	7.1	3.0	5.5	7.0		
EBIT margin	%	nm	nm	nm	nm	nm	Other	\$m	2.9	3.6	5.0	9.2	11.8		
NPAT margin	%	nm	nm	nm	nm	nm	Current assets	\$m	55.7	33.6	34.7	36.7	42.7		
ROE	%	nm	nm	nm	nm	nm	PPE	\$m	10.3	8.9	6.2	5.3	4.6		
ROA	%	nm	nm	nm	nm	nm	Intangible assets	\$m	0.8	0.9	1.1	1.3	1.5		
Net tangible assets per share	\$	0.0	0.0	0.0	(0.0)	0.0	Other	\$m	1.1	1.1	0.9	0.9	0.9		
Book value per share	\$	0.0	0.0	0.01	0.0	0.0	Non current assets	\$m	12.1	10.9	8.3	7.6	7.0		
Net debt/(cash)	\$m	(24.0)	(6.6)	(12.4)	(8.3)	(9.2)	Total assets	\$m	52.7	35.4	33.6	34.3	38.1		
Interest cover (EBIT/net interest)	x	nm	nm	nm	nm	nm	Trade and other payables	\$m	4.8	3.5	3.8	6.9	8.9		
Gearing (net debt/EBIT DA)	x	nm	nm	nm	nm	nm	Borrowing	\$m	1.2	1.8	2.0	2.0	2.0		
Leverage (net debt/(net debt + equity))	x	nm	nm	nm	nm	nm	Other	\$m	2.1	1.5	2.1	2.1	2.1		
DUPONT ANALYSIS		FY19A	FY20A	FY21A	FY22E	FY23E	Current liabilities	\$m	8.1	6.8	7.9	11.1	13.0		
Net Profit Margin	%	nm	nm	nm	nm	nm	Borrowing and leases	\$m	6.0	6.3	4.3	4.3	4.3		
Asset Turnover	x	0.1	0.2	0.2	0.4	0.4	Other liability	\$m	15.7	14.0	10.7	7.5	5.5		
Return on Assets	%	nm	nm	nm	nm	nm	Non current liabilities	\$m	29.7	27.2	22.9	22.9	22.9		
Financial Leverage	x	484.1	5,698.1	2,222.1	14,751.2	2,809.6	Total liabilities	\$m	37.9	34.0	30.7	33.9	35.9		
Return on Equity	%	nm	nm	nm	nm	nm	Net assets	\$m	14.8	1.4	2.8	0.4	2.3		
KEY PERFORMANCE INDICATORS		FY19A	FY20A	FY21A	FY22E	FY23E	Share capital	\$m	367.3	367.3	371.4	383.4	388.4		
Bronchitol	\$m	2.6	5.3	5.2	10.3	13.8	Retained earnings	\$m	(374.2)	(388.2)	(391.2)	(405.6)	(408.8)		
Aridol	\$m	3.1	1.8	1.4	2.0	2.0	Other	\$m	21.8	22.3	22.6	22.6	22.6		
Clinical development pipeline	Indication	Status					Total equity	\$m	14.8	1.4	2.8	0.4	2.3		
PXS-5505	Myelofibrosis	Phase 2a					CASH FLOW		FY19A	FY20A	FY21A	FY22E	FY23E		
PXS-6302	Anti-scarring	Phase 1c completed					Net loss for period	\$m	(20.1)	(13.9)	(3.0)	(14.4)	(3.2)		
PXS-5505	Liver Cancer	Phase 1c ready					Depreciation & Amortisation	\$m	2.9	3.2	3.2	1.4	1.3		
HALF YEARLY DATA		2H20	1H21	2H21	1H22*	2H22	Changes in working capital	\$m	(5.1)	(1.6)	4.0	(2.4)	(1.5)		
Total Revenue	\$m	8.6	13.7	9.9	7.3	7.3	Other	\$m	2.5	(1.0)	(1.1)	0.0	0.0		
Operating expenses	\$m	(13.5)	(11.8)	(11.3)	(13.7)	(13.7)	Operating cash flow	\$m	(19.8)	(13.3)	3.1	(15.4)	(3.4)		
EBIT DA	\$m	(4.8)	1.9	(1.4)	(6.4)	(6.4)	Payments for PPE	\$m	(0.6)	(0.3)	(0.3)	(0.4)	(0.4)		
EBIT	\$m	(4.8)	0.3	(1.4)	(7.1)	(7.1)	Other	\$m	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)		
PBT	\$m	(3.6)	0.0	(3.0)	(7.2)	(7.2)	Investing cash flow	\$m	(1.0)	(0.6)	(0.6)	(0.7)	(0.7)		
Reported NPAT	\$m	(3.6)	0.0	(3.0)	(7.2)	(7.2)	Equity	\$m	22.7	0.0	4.1	12.0	5.0		
*unadjusted pending release of comprehensive results						Lease liability payments	\$m	(1.6)	(2.2)	(2.3)	0.0	0.0			
						Other	\$m	(0.3)	(0.3)	(0.2)	0.0	0.0			
						Financing cash flow	\$m	20.8	(2.5)	1.5	12.0	5.0			
						Cash year end	\$m	31.1	14.8	18.7	14.6	15.5			
						Free cash flow	\$m	(20.8)	(13.9)	2.4	(16.1)	(16.1)			

Source: Pharmaxis, MST Access.

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