



Pharmaxis (PXS)

PXS-5505 and PXS-6302 R&D days

Our View

Pharmaxis' recent R&D investor days provided overviews of its PXS-5505 and PXS-6302 pan LOX inhibitor drug programs. Our key takeouts were:

- The ongoing Phase I/II trials of PXS-5505 and PXS-6302 remain on track to report initial efficacy data before the end of the year.
- PXS-5505 has drawn considerable inbound interest from researchers who are attracted by its combination of strong inhibition of the LOX enzymes and very good tolerability, with no safety signals seen in Phase I trials.
- Prof Fiona Wood commented that some of the established scars treated with PXS-6302 in the ongoing pilot study look and feel different to untreated parts of the scar. We see this as an encouraging early sign of potential efficacy.

The next key event will be a quarterly update on US sales of its FDA approved Bronchitol cystic fibrosis (CF) drug on 29 April. With clinical efficacy readouts in two indications expected by the end of the year we maintain our Outperform recommendation and valuation of \$174m or \$0.31/sh fully diluted.

Key Points

PXS-5505 and PXS-6302 inhibit the lysyl oxidase (LOX) family of enzymes which play a key role in crosslinking collagen strands to form fibrous scar tissue.

PXS-5505 in the fibrotic bone marrow cancer myelofibrosis (MF)

- Treating MF patients with as PXS-5505 makes sense because there is elevated expression of most LOX enzymes in MF patients.
- The Phase I/IIa trial in MF will test whether PXS-5505 treatment will reduce bone marrow fibrosis and allow normal red blood cell reduction to resume. It is currently recruiting an expansion cohort of 24 patients who will be treated with for 26 weeks. Importantly, it remains on track to conclude in Q4 CY22.
- Dr Gabriela Hobbs of Massachusetts General Hospital highlighted that the fact that PXS-5505 is well tolerated and does not cause low blood counts makes it well suited for use in early stage disease and in combination with standard-of-care JAK inhibitors (if it proves effective in trials).
- There were also presentations on the upcoming liver cancer clinical trial (Rochester University) and on pancreatic cancer preclinical studies (Garvan).

PXS-6302 in Wound scars

- Prof Wood, who pioneered the Recell spray-on skin burn treatment, summarised available scar treatments and the current Solaria 2 Part I trial of PXS-6302 cream in patients with established scars.
- The 8-patient pilot study is fully recruited, and the first patients have reached the 2 month mark. The second cohort of 42 patients will be randomised to apply either PXS-6302 or a placebo cream to established scars for 3 months.
- While Prof Wood's initial informal assessments of treated scars in the pilot study are encouraging, the key efficacy measures will be based on blinded objective assessments in the 42 patient randomised trial, including skin biopsies and 3D images of the scars. Results could come in late Q3 CY22.
- A subsequent study in recently healed burn injuries is planned, pending satisfactory results in Part I.

Recordings of the presentations can be accessed at the Pharmaxis [website](#).

8 April 2022

Speculative Investment

Outperform

Summary (AUD)

Market Capitalisation	\$51M
Share price	\$0.093
52 week low	\$0.071
52 week high	\$0.15
Cash as at 31 December 2021	\$20.9m

Share price graph (AUD)



Key Financials (AUDm)

	FY21A	FY22E	FY23E
Revenue (\$m)	23.7	14.6	14.0
R&D (\$m)	(8.4)	(10.7)	(9.1)
SG&A (\$m)	(4.2)	(4.2)	(4.3)
EBITDA (\$m)	(0.2)	(11.0)	(10.8)
Reported NPAT (\$m)	(3.0)	(13.0)	(12.7)
NPAT Adj. (\$m)	(3.0)	(13.0)	(12.7)
EPS Adj. (c)	(0.7)	(2.6)	(2.3)
PE ratio (x)	n/a	n/a	n/a
DPS (c)	0.0	0.0	0.0
EV/Sales	1.9	3.0	3.2
EV/EBITDA (x)	n/a	n/a	n/a
ROE	n/a	n/a	n/a

Pharmaxis - Summary of Forecasts

PXS \$ 0.093

PROFIT & LOSS SUMMARY (A\$m)

Year end June	FY21A	FY22E	FY23E	FY24E
Mannitol segment revenue	22.7	10.4	10.4	14.7
Other royalties, milestones	0.4	0.0	0.0	0.0
Other (incl. R&D tax incentive)	0.6	4.3	3.6	3.4
Total Revenue	23.7	14.6	14.0	18.1
Growth (pcp)	81.7%	-38%	-4.2%	29.0%
Mannitol segment expenses	(11.2)	(10.8)	(11.4)	(12.1)
R&D Expenses	(8.4)	(10.7)	(9.1)	(8.5)
Corporate & other expenses	(4.2)	(4.2)	(4.3)	(4.5)
EBITDA	(0.2)	(11.0)	(10.8)	(7.0)
Dep'n/Amort'n	(3.2)	(1.9)	(1.3)	(0.9)
EBIT	(3.3)	(12.9)	(12.1)	(7.9)
Net Interest	(0.4)	0.2	0.1	0.0
NovaQuest Payments	0.0	(0.4)	(0.7)	(1.4)
Pre- Tax Profit	(3.0)	(13.0)	(12.7)	(9.3)
Tax Expense	0.0	0.0	0.0	0.0
NPAT Adj.	(3.0)	(13.0)	(12.7)	(9.3)
Growth (pcp)	n/a	n/a	n/a	n/a
Adjustments	0.0	0.0	0.0	0.0
NPAT Reported	(3.0)	(13.0)	(12.7)	(9.3)

PER SHARE DATA

Year end June	FY21A	FY22E	FY23E	FY24E
EPS (c) - Reported	(0.7)	(2.6)	(2.3)	(1.7)
Growth (pcp)	n/a	n/a	n/a	n/a
EPS (c) - Adjusted	(0.7)	(2.6)	(2.3)	(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)	0.8	(2.7)	(1.7)	(1.1)
NTA per share (c)	0.4	(0.4)	(2.6)	(2.5)

KEY RATIOS

Year end June	FY21A	FY22E	FY23E	FY24E
Net Debt : Equity (%)	-400%	642%	-23%	1%
Net Debt: EBITDA (x)	65.0	0.6	(0.3)	0.0
Current ratio (x)	3.2	4.8	2.4	3.1
ROE (%)	-139%	-1433%	179%	72%
ROIC (%)	36%	116%	99%	50%
Dividend Payout Ratio (%)	n/a	n/a	n/a	n/a

VALUATION MULTIPLES

Year end June	FY21A	FY22E	FY23E	FY24E
PE Ratio (x)	n/a	n/a	n/a	n/a
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	1.9	3.0	3.2	2.5
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	FY21A	FY22E	FY23E	FY24E
Shares Issued (m)	57.6	87.6	0.0	50.0
Issue Price (A\$)	0.07	0.105	0.00	0.20
Gross Cash Raised (A\$m)	4.3	9.8	0.0	10.0

BALANCE SHEET SUMMARY

Year end June	FY21A	FY22E	FY23E	FY24E
Cash	18.7	13.9	4.3	7.5
Receivables	3.0	4.3	3.6	3.4
Inventories	3.6	1.6	1.7	1.8
Other	0.0	0.0	0.0	0.0
Total Current Assets	25.3	19.8	9.7	12.7
Inventories	0.0	0.0	0.0	0.0
Property Plant & Equip	6.2	4.5	3.1	2.2
Intangibles	1.1	1.1	1.1	1.1
Other	0.9	0.9	0.9	0.9
Total Current Assets	8.3	6.5	5.2	4.2
TOTAL ASSETS	33.6	26.3	14.9	17.0
Accounts Payable	3.8	0.0	0.0	0.0
Borrowings	3.1	3.1	3.1	3.1
Employee benefit obligations	1.1	1.1	1.1	1.1
Other	0.0	0.0	0.0	0.0
Total Current Liab	7.9	4.1	4.1	4.1
Borrowings	4.3	4.3	4.3	4.3
Provisions	0.1	0.1	0.1	0.1
Other	27.2	27.2	27.2	27.2
Total Non- Current Liab	22.9	22.9	22.9	22.9
TOTAL LIABILITIES	30.7	27.0	27.0	27.0
TOTAL EQUITY	2.8	(0.7)	(12.1)	(10.0)

CASH FLOW SUMMARY

Year end June	FY21A	FY22E	FY23E	FY24E
EBIT (excl Abs/Extr)	(3.3)	(12.9)	(12.1)	(7.9)
Add: Dep'n & Amort'n	3.2	1.9	1.3	0.9
Other non-cash items	(12.7)	(2.3)	(4.6)	(2.8)
Less: Tax paid	0.0	0.0	0.0	0.0
Net Interest	0.1	0.2	0.1	0.0
Change in Rec.	4.1	(1.3)	0.6	0.3
Change in Inv.	(1.0)	2.0	(0.1)	(0.1)
Gross Cashflows	3.1	(13.3)	(9.6)	(6.2)
Capex	(0.6)	(0.1)	0.0	0.0
Free Cashflows	2.7	(13.4)	(9.6)	(6.2)
Share Issue Proceeds	4.1	8.6	0.0	9.4
Other	(2.9)	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0
Net Cashflows	3.9	(4.8)	(9.6)	3.2
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%	81.6	0.15
PXS-6302 in wound scarring	15%	50.0	0.09
Mannitol respiratory business	100%	45.0	0.08
SG&A	-	(16.8)	(0.03)
Portfolio total	-	159.9	0.29
Cash (end FY22e)	-	13.9	0.03
Total Valuation	-	173.8	0.32

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