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Positive PXS-5505 preclinical data published in peer-reviewed journal

NEED TO KNOW

- Chemotherapy combination increases survival by 35%
- Preclinical data rendered from research collaboration at Garvan Institute of Medical Research
- Aggressive pancreatic cancer 5-year survival rate of less than 10% – clear and urgent unmet need

Preclinical results of combined PXS-5505 + chemotherapy in mouse models of aggressive pancreatic cancer showed 35% increase in survival:

Pharmaxis has announced that preclinical data for lead pipeline asset PXS-5505 has been published in the journal *Nature Cancer*. The data, from research conducted by a team at the Garvan Institute of Medical Research (Sydney), showed a 35% increase in survival compared to chemotherapy alone in treating pancreatic ductal adenocarcinoma. The PXS-5505 combination also showed a 45% reduction in the spread of the cancer to other organs such as the liver.

Aggressive pancreatic cancer has very low 5-year survival rate, making gains in this area important:

Pancreatic ductal adenocarcinoma is one of the most aggressive forms of pancreatic cancer. Pancreatic cancers are often characterised by tumour fibrosis and stiffness, which the study indicates that PXS-5505 is able to reduce. The study's lead author has explained that PXS-5505 ultimately 'allows chemotherapy drugs to penetrate the tumours more easily, work more effectively, and destroy more cancer cells'. The study results add to the mounting clinical evidence that PXS-5505 can enhance chemotherapy protocols in solid tumours such as pancreatic cancer.

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 fair value estimate remains at A\$0.34/share, 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 and funding 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. Pharmaxis previously commercialised two respiratory products (Bronchitol®, Aridol®) now sold globally.

Valuation	A\$0.34 (unchanged)
Current price	A\$0.04
Market cap	A\$38.8m
Cash on hand	A\$9.23m (30 June 2023)

Upcoming Catalysts/Newsflow

Period	
2HCY23	PXS-5505: FDA guidance on additional arm of the MF study in combination with a JAK inhibitor protocol
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\$) scale on graph & font



Source: FactSet, MST Access.

Financial Summary

Pharmaxis						PXS-AU	
Year end 30 June, AUD unless otherwise noted							
MARKET DATA						12-MONTH SHARE PRICE PERFORMANCE (A\$)	
Price	\$	0.04					
52 week high / low	\$	0.04-0.09					
Valuation	\$	0.34					
Market capitalisation	\$m	28.9					
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							
Reported NPAT	\$m	FY21A	FY22A	FY23E	FY24E	FY25E	
Underlying NPAT	\$m	(3.0)	(1.9)	(11.4)	(13.0)	(7.9)	
Reported EPS (diluted)	c	(0.7)	(0.3)	(1.7)	(1.7)	(0.9)	
Underlying EPS (diluted)	c	(0.7)	(0.3)	(1.7)	(1.7)	(0.9)	
Growth	%		-52.8%	403.8%	-1.6%	-50.1%	
Underlying PER	x	nm	nm	nm	nm	nm	
Operating cash flow per share	c	0.8	(2.9)	(1.1)	(1.7)	(1.0)	
Free cash flow per share	c	0.6	(3.0)	(1.1)	(1.8)	(1.0)	
Price to free cash flow per share	x	6.7	nm	nm	nm	nm	
FCF Yield	%	14.9%	nm	nm	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	16.5	24.2	21.7	26.7	27.6	
EV/EBITDA	x	32.9	(2.0)	(2.3)	(2.1)	(3.7)	
EV/EBIT	x	(6.2)	(1.6)	(1.9)	(2.1)	(3.5)	
Price to book (NAV)	x	6.4	2.0	3.0	4.4	4.2	
Price to NTA	x	10.5	2.2	3.3	4.8	4.4	
KEY RATIOS							
EBITDA margin	%	7.5	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	(12.4)	(4.6)	(7.2)	(2.2)	(1.3)	
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							
Net Profit Margin	%	nm	nm	nm	nm	nm	
Asset Turnover	x	0.2	0.3	0.2	0.6	0.6	
Return on Assets	%	nm	nm	nm	nm	nm	
Financial Leverage	x	2,222.1	397.1	213.7	255.4	202.2	
Return on Equity	%	nm	nm	nm	nm	nm	
KEY PERFORMANCE INDICATORS							
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							
Total Revenue	\$m	2H20	1H21	2H21	1H22	2H22	
Operating expenses	\$m	8.6	13.7	9.9	8.5	1.6	
EBITDA	\$m	(13.5)	(11.8)	(11.3)	(14.9)	(13.2)	
EBIT	\$m	(4.8)	1.9	(1.4)	(6.4)	(11.6)	
PBT	\$m	(4.8)	0.3	(1.4)	(7.9)	(13.1)	
Reported NPAT	\$m	(3.6)	0.0	(3.0)	(8.1)	0.6	
PROFIT AND LOSS *							
Revenue	\$m	FY21A	FY22A	FY23E	FY24E	FY25E	
Other income	\$m	6.7	7.4	5.8	11.3	13.7	
Total Revenue	\$m	16.9	8.3	13.4	3.8	6.4	
Operating expenses	\$m	23.6	15.8	19.2	15.1	20.1	
EBITDA	\$m	(23.1)	(28.1)	(28.6)	(27.5)	(27.5)	
Depreciation & Amortisation	\$m	0.5	(12.3)	(9.4)	(12.4)	(7.4)	
EBIT	\$m	(3.2)	(3.2)	(1.8)	(0.5)	(0.4)	
Net interest	\$m	(2.7)	(15.5)	(11.3)	(12.9)	(7.8)	
Pretax Profit	\$m	0.1	0.2	0.1	0.0	0.0	
Tax expense	\$m	(3.0)	(1.9)	(11.4)	(13.0)	(7.9)	
Reported NPAT	\$m	0.0	0.0	0.0	0.0	0.0	
Weighted average diluted shares	m	(3.0)	(1.9)	(11.4)	(13.0)	(7.9)	
GROWTH PROFILE							
Revenue	%	FY21A	FY22A	FY23E	FY24E	FY25E	
EBITDA	%	86.5	(33.3)	21.8	(21.3)	33.3	
EBIT	%	(103.8)	(2,557.1)	(23.6)	32.2	(40.4)	
Reported NPAT	%	(83.9)	486.5	(27.6)	14.5	(39.4)	
DPS	%	(78.7)	(34.8)	486.8	14.2	(39.1)	
BALANCE SHEET							
Cash	\$m	FY21A	FY22A	FY23E	FY24E	FY25E	
Receivables	\$m	18.7	8.9	9.2	4.3	3.4	
Other	\$m	3.0	8.0	7.8	5.0	6.1	
Current assets	\$m	3.6	2.3	1.6	6.2	7.5	
PPE	\$m	25.3	19.2	18.7	15.4	16.9	
Intangible assets	\$m	6.2	3.2	1.8	1.6	1.4	
Other	\$m	1.1	1.0	0.7	0.6	0.5	
Non current assets	\$m	0.9	1.7	2.8	2.8	2.8	
Total assets	\$m	8.3	6.0	5.3	5.0	4.8	
Trade and other payables	\$m	33.6	25.2	24.0	20.5	21.7	
Borrowing	\$m	3.8	2.7	4.7	6.4	7.7	
Other	\$m	2.0	2.0	2.0	2.0	2.0	
Current liabilities	\$m	2.1	1.4	1.3	1.3	1.3	
Borrowing and leases	\$m	7.9	6.1	8.0	9.7	11.1	
Other liability	\$m	4.3	2.3	0.0	0.0	0.0	
Non current liabilities	\$m	18.6	6.0	6.4	2.8	0.5	
Total liabilities	\$m	22.9	8.3	6.4	2.8	0.5	
Net assets	\$m	30.7	14.4	14.5	12.5	11.6	
Share capital	\$m	2.8	10.8	9.6	8.0	10.1	
Retained earnings	\$m	371.4	380.4	389.7	401.1	411.1	
Other	\$m	(391.2)	(393.1)	(404.5)	(417.4)	(425.3)	
Total equity	\$m	22.6	23.5	24.3	24.3	24.3	
CASH FLOW							
Net loss for period	\$m	FY21A	FY22A	FY23E	FY24E	FY25E	
Depreciation & Amortisation	\$m	(3.0)	(1.9)	(11.4)	(13.0)	(7.9)	
Changes in working capital	\$m	3.2	3.2	1.8	0.5	0.4	
Other	\$m	4.0	(5.9)	(0.1)	(0.1)	(1.0)	
Operating cash flow	\$m	(1.1)	(11.7)	2.3	0.0	0.0	
Payments for PPE	\$m	3.1	(16.3)	(7.3)	(12.6)	(8.5)	
Other	\$m	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	
Investing cash flow	\$m	(0.3)	(0.2)	0.0	0.0	0.0	
Equity	\$m	(0.6)	(0.3)	(0.1)	(0.1)	(0.1)	
Lease liability payments	\$m	4.1	9.1	9.3	10.0	10.0	
Other	\$m	(2.3)	(2.4)	(2.2)	(2.2)	(2.2)	
Financing cash flow	\$m	(0.2)	(0.1)	(0.0)	0.0	0.0	
Cash year end	\$m	1.5	6.6	7.0	7.8	7.8	
Free cash flow	\$m	18.7	8.9	9.2	4.3	3.4	
	\$m	2.4	(16.6)	(7.4)	(12.7)	(8.7)	

Source: Company reports, MST Access estimates (NB: MSTe assumes cap raises of \$10m @ \$0.06 per share in FY24, and FY25, respectively; Notably, indicative upfront payments used in DCF valuation of PXS-5505, and PXS-6302, are not included in P&L)

Methodology & Disclosures

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