

August 26, 2021

EMERGING COMPANY
SPECULATIVE BUY (no change)

Stock code:	ANP AU
Price:	A\$0.17
12-month target price:	A\$0.45
Previous target price:	A\$0.441
Up/downside to target price:	164.7%
Dividend yield:	0.00%
12-month TSR*:	164.7%
Market cap:	A\$97.66m
Average daily turnover:	A\$0.25m
Index inclusion:	N/A

* Total stock return – Up/downside to target price + 12-month forward dividend yield.

Price performance

(%)	1M	3M	12M	3Y
Absolute	-10.5	-15	91	709.5
Rel ASX/S&P200	-12.4	-20.9	68.8	688.9


Financial summary

	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Revenue (A\$m)	0.63	1.40	5.75	45.17
EBITDA Norm (A\$m)	-7.95	-22.93	-8.63	30.07
Net Profit (A\$m)	-8.06	-22.80	-8.34	21.11
EPS Norm (A\$)	-0.015	-0.034	-0.011	0.027
EPS Growth Norm (%)	17%	123%	-68%	
P/E Norm (x)	NA	NA	NA	6.23
DPS (A\$)	0.000	0.000	0.000	0.000
Dividend Yield (%)	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	NA	3.70
Gearing (Net Debt/EBITDA)	0.76	0.68	0.64	-0.67

Source: Company data, Morgans estimates

Related research
[ANP \(SPEC BUY - TP A\\$0.44\) - 12 Aug 2021](#)
[ANP \(SPEC BUY - TP A\\$0.441\) - 01 Jul 2021](#)
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Analyst(s) own shares in the following stocks mentioned in this report:

– Antisense Therapeutics

Antisense Therapeutics

Big year, but even bigger one ahead

- FY21 marked a preparatory but pivotal year with significant regulatory advancements, trial-ready API manufacture, and board maturation in-line with the progression to a late-stage trial development and commercialisation company.
- ANP reported its full-year results and continues to track in-line with our forecasts as regulatory preparations and trial arrangements progress.
- No material news was provided in the report although we expect activity to pick up over the next six months as catalysts draw near including: 1) PIP/EMA submissions; 2) complete response to the FDA partial clinical hold; 3) expansion of the indication pipeline; and 4) potential licensing / funding arrangements.
- Given the pipeline of news ahead, FY22 is shaping up to be a big year and look to add to positions as the DMD program progresses. Our risked target price increases to A\$0.45 and retain our Speculative Buy recommendation.

FY21 results: net loss in line with forecasts

- ANP reported its FY21 results showing a net reported loss for the period of A\$8.1m (MorgansE: A\$7.8m).
- Increases in R&D expenses (+159% on the pcp) to A\$4.9m were in line, as the company continues preparatory works with the various regulatory agencies and manufacture of clinical development supplies of its drug. Partially offsetting R&D expenses, share-based payments (SBP) decreased 43% on the pcp to A\$1.4m.
- Operating cash outflow increased 48% to A\$5.8m and closed the period with A\$6.0m in cash and no debt.

Key advancements over FY21

- **Progressed EMA discussions / Paediatric Investigation Plan (PIP) submitted** – planned design, dose duration, safety monitoring plans, endpoints, and pivotal status feedback was sought. Feedback broadly positive. Response including final trial design expected late 1Q'FY22 prior to formal trial application shortly after.
- **FDA progression** – Type-C meeting held, Ph2a study data sufficient to support larger studies. Broad trial design and endpoints were all deemed acceptable. Nine-month tox study to support dosage >25mg/week for >6 months with concessions made to allow ANP to initiate studies prior to the draft report. Subsequent to the period end, ANP required to submit updated clinical and tox protocols (including monkey tox study) to address the partial clinical hold placed on the dosage >25mg/week.
- **Orphan Drug (ODD) and Rare Paediatric Disease (RPD) designations achieved in EU and US** – designations provide development and marketing incentives, reduced regulatory fees, tax credits, and elongated market exclusivity beyond patent life, and in the case of FDA's RPD Program, entitles ANP to a Priority Review Voucher (PRV) upon successful marketing approval. Secondary markets exist for these PRVs with average trading values ~US\$100m.
- **Partnership with Murdoch Children's Research Institute (MCRI):** Investigating other potential immune mediated inflammatory muscle damage indications and use of ATL-1102 in combination with existing therapies. Investigations using patient plasma samples are being used to provide further insight on mode of action (MOA).

Forecast and valuation update: target moves marginally higher

- We have rolled forward our model and only made minor changes to forecasts around R&D rebate forecasts (timing and eligibility criteria).
- Our valuation range moves marginally higher to A\$0.45 (risked) to A\$1.82 (unrisked) with our near-term target price set at the bottom end of our range.

Investment view: continue to add to positions

- Adding to positions on weakness. We continue to view ANP as one of the best risk/reward plays in the healthcare space.

Price catalysts:

- PIP/EMA protocols (late 1Q'FY22), FDA clinical and tox submission (late CY21), new indications (FY22), potential funding / licensing arrangements (FY22).

Risks:

- Prolonged delays in trial recruitment and commencement / Failure of DMD in Ph2b program / Funding requirements.

Antisense Therapeutics

as at August 26, 2021

Rating	SPECULATIVE BUY	Price (A\$):	0.17
Market cap (A\$m):	97.66	12-month target price (A\$):	0.45
Shares outstanding (m):	574.0	Up/downside to target price (%):	164.7
Free float (%):	100.0	Dividend yield (%):	0.00

Company description

Antisense Therapeutics Limited, a biopharmaceutical company, engages in the research and development of novel antisense pharmaceuticals in Australia. Its product pipeline comprises ATL1102, an antisense inhibitor of CD49d that has completed Phase IIa for the treatment of multiple sclerosis, Duchennes Muscular Dystrophy, acromegaly, asthma, and other inflammatory indications. The company's product pipeline also includes ATL1103, a second generation antisense drug designed to block growth hormone receptor expression thereby reducing levels of the hormone insulin-like growth factor-I in the blood, as well as to treat diseases associated with excessive growth hormone action that has completed Phase II clinical trial.

<p>Market considerations for ATL1102</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; width: 45%;"> <p>ANTI-INFLAMMATORY Anti-inflammatory Therapeutics Market^a is expected to garner US\$106.1 billion by 2020 (Allied Market Research) <small>^aMS, Arthritis, Psoriasis, Respiratory, IBD</small></p> </div> <div style="border: 1px solid black; padding: 5px; width: 45%;"> <p>CORTICOSTEROIDS The global steroid market is forecast to attain the value of US\$17 Billion by the end of 2025 (QV Research)</p> </div> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px; width: 45%;"> <p>DMD THERAPIES The global DMD drug market is expected to reach over US\$4 Billion by 2023 (Grand View Research)</p> </div>	<p>Near-term milestones (CY21)</p> <ul style="list-style-type: none"> * ATL1102 drug product manufacture - ACHIEVED * ATL1102 in new indications - IN PROGRESS * US FDA DMD progress - IN PROGRESS * ATL1102 DMD Ph2b EU trial prep and initiation - IN PROGRESS
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Source: Antisense Therapeutics

Product pipeline

PRODUCT	INDICATION	RESEARCH	PRECLINICAL	PHASE I	PHASE II	PHASE III
ATL1103 s.c. injection	Acromegaly					
ATL1102 s.c. injection	Multiple Sclerosis					
ATL1102 s.c. injection	DMD					

Source: Antisense Therapeutics

MARKET DATA	#
Population of target market ('000s)	48.0
Regulatory approval weight	25.0%
Non-ambulant population	50.0%
Number of Cases Forecast for Year 1 ('000s)	6.0
Annual Population Growth	0.70%
Peak Market Penetration	50.0%
Revenue Per Unit (\$US)	\$ 150,000
Market Ramp Time to Peak Penetration (Years)	5
Hold peak	10
Life cycle of drug	20
Royalty Rate	20.0%

Source: Morgans estimates

Source: Antisense Therapeutics

ATL1102 mechanism of action

Mechanism of translation inhibition by ASOs

translation initiation factor

ASO mRNA

- ASO binds near start codon
- ASO sterically blocks translation initiation machinery or ribosome

Source: CureFFI.org

Key Drivers

- Licensing deal value for late stage assets
- Potential for early commercialisation

Key risks:

- Timing / execution risks
- Trial risks
- Alternative therapies
- COVID-19 related impact
- Funding risk

Source: Morgans estimates

Figure 1: Financial summary

Income statement	2020A	2021A	2022F	2023F	2024F	Closing price (A\$)	0.170	Price target (A\$)	0.45			
Milestone payments	0.0	0.0	0.0	0.0	42.3	Valuation metrics						
Royalty	0.0	0.0	0.0	0.0	0.0	Methodology -DCF-PER Comp		Target Price	\$0.45			
R&D rebate	0.8	0.6	1.4	5.7	2.9	DCF valuation inputs						
Total revenue	0.8	0.6	1.4	5.7	45.2	Rf	3.50%					
EBITDA	-5.8	-8.0	-22.9	-8.6	30.1	Rm-Rf	6.00%					
Associate income	0.0	0.0	0.0	0.0	0.0	Beta	1.53					
Depreciation	0.1	0.1	0.0	0.0	0.0	CAPM (Rf+Beta(Rm-Rf))	12.7%					
EBITA	-5.9	-8.1	-22.9	-8.6	30.1	E/EV*Ke+D/EV*Kd(1-t)		NPV cash flow (A\$m)	342.3			
Amortisation/impairment	0.0	0.0	0.0	0.0	0.0	Equity (E/EV)	100.0%	Minority interest (A\$m)	0.0			
EBIT	-5.9	-8.1	-22.9	-8.6	30.1	Debt (D/EV)	0.0%	Net debt (A\$m)	-6.0			
EBIT(incl associate profit)	-5.9	-8.1	-22.9	-8.6	30.1	Interest rate	5.00%	Investments (A\$m)	0.0			
Net interest expense/FX	0.3	0.0	0.0	0.1	0.3	Tax rate (t)	30.0%	Equity market value (A\$m)	348.4			
Pre-tax profit	-5.9	-8.1	-22.8	-8.3	30.2	WACC	12.7%	Diluted no. of shares (m)	774.0			
Income tax expense	0.0	0.0	0.0	0.0	9.0			DCF valuation	\$0.45			
After-tax profit	-5.9	-8.1	-22.8	-8.3	21.1							
Minority interests	0.0	0.0	0.0	0.0	0.0	Multiples						
NPAT	-5.9	-8.1	-22.8	-8.3	21.1	Enterprise value (A\$m)	127.5	2020A	125.6	2022F	2023F	2024F
Significant items	0.0	0.0	0.0	0.0	0.0	EV/Sales (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
NPAT post abnormals	-5.9	-8.1	-22.8	-8.3	21.1	EV/EBITDA (x)	-22.0	-15.8	-5.1	-14.6	3.7	
						EV/EBIT (x)	-21.6	-15.6	-5.1	-14.6	3.7	
						PE (pre-goodwill) (x)	-14.1	-12.1	-5.8	-15.8	6.2	
						PEG (pre-goodwill) (x)	0.0	0.0	0.2	0.1	0.1	
Cash flow statement	2020A	2021A	2022F	2023F	2024F	At target price	2020A	2021A	2022F	2023F	2024F	
EBITDA	-5.8	-8.0	-22.9	-8.6	30.1	EV/EBITDA (x)	-21.6	-15.6	-5.1	-14.6	3.7	
Other cash items	0.0	0.0	0.0	0.0	0.0	PE (pre-goodwill) (x)	-37.3	-32.1	-15.3	-41.8	16.5	
Net interest (pd)/rec	0.0	0.0	0.1	0.3	0.1							
Taxes paid	0.0	0.0	0.0	0.0	-9.0	Per share data	2020A	2021A	2022F	2023F	2024F	
Change in working capital	-0.3	2.1	0.0	-1.8	-6.4	No. shares	488.8	574.0	774.0	774.0	774.0	
Cash flow from ops (1)	-6.1	-5.8	-22.8	-10.1	14.7	EPS (cps)	-1.2	-1.4	-2.9	-1.1	2.7	
Capex (2)	-0.1	-0.1	-0.1	0.0	0.0	EPS (normalised) (c)	-1.2	-1.4	-2.9	-1.1	2.7	
Disposals/(acquisitions)	0.0	0.0	0.0	0.0	0.0	Dividend per share (c)	0.0	0.0	0.0	0.0	0.0	
Other investing cash flow	0.0	0.0	0.0	0.0	0.0	Dividend payout ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	
Cash flow from invest (3)	-0.1	-0.1	-0.1	0.0	0.0	Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	
Incr/(decr) in equity	5.2	7.9	30.0	0.0	0.0	Growth ratios	2020A	2021A	2022F	2023F	2024F	
Incr/(decr) in debt	0.0	0.0	0.0	0.0	0.0	Sales growth	n.a.	n.a.	n.a.	n.a.	n.a.	
Ordinary dividend paid	0.0	0.0	0.0	0.0	0.0	Operating cost growth	n.a.	37.4%	188.2%	-62.4%	-448.5%	
Preferred dividends (4)	0.0	0.0	0.0	0.0	0.0	EBITDA growth	n.a.	-36.7%	-184.7%	62.3%	447.4%	
Other financing cash flow	0.0	0.0	0.0	0.0	0.0	EBITA growth	n.a.	n.a.	n.a.	n.a.	n.a.	
Cash flow from fin (5)	5.2	7.9	30.0	0.0	0.0	EBIT growth	n.a.	n.a.	n.a.	n.a.	n.a.	
Forex and disc ops (6)	0.0	0.0	0.0	0.0	0.0	NPAT growth	n.a.	n.a.	n.a.	n.a.	n.a.	
Incr/(decr) cash (1+3+5+6)	-1.1	1.9	7.1	-10.1	14.7	Pre-goodwill NPAT growth	n.a.	n.a.	n.a.	n.a.	n.a.	
Equity FCF (1+2+4)	-6.3	-5.9	-22.9	-10.1	14.7	Pre-goodwill EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	
						Normalised EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	
Balance sheet	2020A	2021A	2022F	2023F	2024F	Operating performance	2020A	2021A	2022F	2023F	2024F	
Cash & deposits	4.1	6.0	15.7	5.5	20.2	Asset turnover (%)	0.0	0.0	0.0	0.0	0.0	
Trade debtors	0.7	0.6	0.2	0.9	7.4	EBITDA margin (%)	n.a.	n.a.	n.a.	n.a.	n.a.	
Inventory	0.0	0.0	0.0	0.0	0.0	EBIT margin (%)	n.a.	n.a.	n.a.	n.a.	n.a.	
Investments	0.0	0.0	0.0	0.0	0.0	Net profit margin (%)	n.a.	n.a.	n.a.	n.a.	n.a.	
Goodwill	0.0	0.0	0.0	0.0	0.0	Return on net assets (%)	-129.5	-135.3	-174.5	-179.7	115.9	
Other intangible assets	0.0	0.0	0.0	0.0	0.0	Net debt (A\$m)	-4.1	-6.0	-15.7	-5.5	-20.2	
Fixed assets	0.1	0.3	0.4	0.4	0.4	Net debt/equity (%)	-89.1	-101.1	-119.0	-114.6	-78.0	
Other assets	0.0	0.0	0.0	0.0	0.0	Net interest/EBIT cover (x)	22.5	n.a.	n.a.	62.1	-96.0	
Total assets	5.4	7.0	16.3	6.9	28.1	Internal liquidity	2020A	2021A	2022F	2023F	2024F	
Short-term borrowings	0.0	0.0	0.0	0.0	0.0	Current ratio (x)	5.1	5.8	4.9	2.6	9.2	
Trade payables	0.3	0.5	2.7	1.6	1.7	Receivables turnover (x)	0.0	0.0	0.0	0.0	0.0	
Long-term borrowings	0.0	0.0	0.0	0.0	0.0	Payables turnover (x)	13.7	19.8	14.4	4.1	-18.6	
Provisions	0.5	0.5	0.5	0.5	0.5							
Other liabilities	0.0	0.0	0.0	0.0	0.0							
Total liabilities	0.8	1.0	3.2	2.1	2.2							
Share capital	69.1	77.0	107.0	107.0	107.0							
Other reserves	2.4	4.0	4.0	4.0	4.0							
Retained earnings	-67.0	-75.1	-97.9	-106.2	-85.1							
Other equity	0.0	0.0	0.0	0.0	0.0							
Total equity	4.6	6.0	13.2	4.8	25.9							
Minority interest	0.0	0.0	0.0	0.0	0.0							
Total shareholders' equity	4.6	6.0	13.2	4.8	25.9							
Total liabilities & SE	5.4	7.0	16.4	6.9	28.1							

Source: Morgans estimates, company data

Queensland		New South Wales		Victoria		Western Australia	
Brisbane	+61 7 3334 4888	Sydney	+61 2 9043 7900	Melbourne	+61 3 9947 4111	West Perth	+61 8 6160 8700
Stockbroking, Corporate Advice, Wealth Management		Stockbroking, Corporate Advice, Wealth Management		Stockbroking, Corporate Advice, Wealth Management		Stockbroking, Corporate Advice, Wealth Management	
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Brisbane: Tynan	+61 7 3152 0600	Place		Camberwell	+61 3 9813 2945		
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Regulatory disclosures

Analyst owns shares in the following mentioned company(ies): Antisense Therapeutics

Morgans Corporate Limited was Joint Lead Manager to the Placement and Share Purchase Plan of shares in Antisense Therapeutics Limited in November 2020 and received fees in this regard.

Recommendation structure

For a full explanation of the recommendation structure, refer to our website at morgans.com.au/research_disclaimer

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