TAYLOR COLLISON

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Antisense Therapeutics (ANP)

Securing funding for DMD pivotal trial

3 November 2021

Speculative Investment

Recommendation: Outperform

Our View

ANP has received a positive final opinion from the Paediatric Committee (PDCO) on its Paediatric Investigation Plan (PIP) for ATL1102. This ensures that the planned Phase IIb/III trial of ATL1102 in non-ambulant Duchenne Muscular Dystrophy (DMD) boys in Europe will be aligned with EMA's expectations for to support a potential future drug approval. ANP has received commitments for a $20m placement at $0.24/sh (with 1:2 attached options). It is also undertaking a non-underwritten entitlement offer, targeting to raise $16.8m on the same terms. The funds raised are intended to fund the Phase IIb/III trial through to an interim futility analysis expected mid CY23. With funding secured to initiate the ATL1102 pivotal trial we increase our probability of success to 30%, but the increased share count sees our valuation little changed at $0.27/sh (undiluted), or $0.26/sh fully diluted.

Key Points

Phase IIb/III trial design

ANP's double blind, European Phase IIb/III study will recruit 114 non-ambulant DMD patients who will be randomised 1:1:1 to receive weekly doses of either placebo, 25mg or 50mg of ATL1102 for 52 weeks. The primary endpoint will be the change in the Performance of Upper Limb Module for DMD 2.0 (PUL 2.0) vs placebo. The trial is expected to commence recruitment in mid CY22 and will enrol at over 30 sites in 9 countries. A futility analysis will be conducted when ~48 patients have completed the week 24 interim PUL 2.0 assessment (mid CY23), leading to a go/no go decision whether to continue the treatment groups or the study itself. The primary endpoint is expected to read out in mid-CY24. At the completion of the 52-week treatment period participants will be invited to enter an open label extension (OLE) study – PDCO has advised that at least 60 participants should be followed for 6 months in the OLE before a marketing approval application is submitted (filing expected to be in H125).

Raising $36.8m to fund the pivotal trial to interim analysis

ANP has raised $20m in a placement at $0.24/sh and is undertaking a non-underwritten 1 for 9.4 entitlement offer to raise a target amount of $16.8m. One free option exercisable at $0.48 will be issued for every 2 new shares. While the issue price of $0.24 was a ~19% discount to the previous closing price, the stock is trading around the issue price, increasing the uncertainty around the uptake of the entitlement offer. If the entitlement offer does not raise the full $16.8m the Phase IIb/III study may not be fully funded to the interim analysis, which may delay the trial or require the company to raise further capital.

ATL1102 showed promise in Phase IIa DMD trial

In a Phase IIa trial in 9 non-ambulant DMD patients, subjects treated with 25mg ATL1102 per week for 24 weeks showed an improvement in PUL 2.0 scores, whereas PUL 2.0 scores declined in all 6 other studies of DMD patients that we examined. ATL1102 shows promise as a treatment to reduce inflammation and resultant muscle damage in DMD, which will be investigated in the upcoming pivotal trial at up to twice the dose used in the Phase IIa trial.

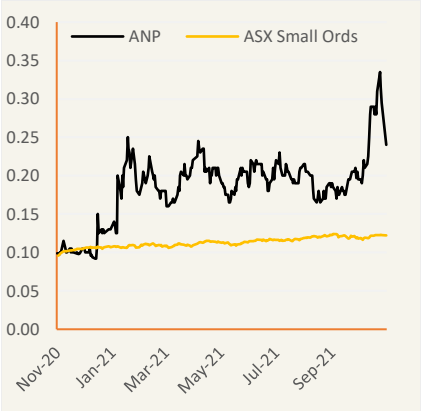
Valuation per share remains $0.27/sh

With funding secured to initiate the pivotal trial we increase our probability of success of ATLL1102 in Europe from 25% to 30%. Assuming 153m shares are issued to raise the targeted $36.8m, our valuation increases from $154m to $197m, but the increased share count sees our per share valuation unchanged at $0.27/sh (undiluted), although fully diluted valuation increases slightly to $0.26/sh.

Summary (AUD)

Market Capitalisation	**$132.1m**
Share price	**$0.23**
52 week low	$0.09
52 week high	$0.35
Cash as at 30 September 2021	$4.7m

Share price graph (AUD)



Key Financials (AUDm)

	FY21A	FY22F	FY23F
Revenue	0.6	2.1	0.0
R&D	(4.9)	(7.4)	(15.4)
SG&A	(3.7)	(1.6)	(1.3)
EBITDA	(8.0)	(7.0)	(16.7)
Reported NPAT	(8.0)	(7.0)	(16.4)
NPAT Adj.	(8.0)	(7.0)	(16.4)
EPS Adj. (c)	(1.5)	(1.1)	(2.3)
PE ratio (x)	n/a	n/a	n/a
DPS (c)	0.0	0.0	0.0
EV/Sales	n/a	n/a	n/a
EV/EBITDA (x)	n/a	n/a	n/a
ROE	n/a	n/a	n/a

Antisense Therapeutics - Summary of Forecasts — ANP $ 0.23

PROFIT & LOSS SUMMARY (A$m)

Year end June	FY20A	FY21A	FY22F	FY23F
Sales, royalties, milestones	0.0	0.0	0.0	0.0
Other (includes R&D tax rebate	0.7	0.6	2.1	0.0
Total Revenue	**0.7**	**0.6**	**2.1**	**0.0**
Growth (pcp)	26.3%	-14.6%	228.8%	-100.0%
R&D Expenses	(2.2)	(4.9)	(7.4)	(15.4)
CoGS + SG&A expenses	(4.3)	(3.7)	(1.6)	(1.3)
EBITDA	**(5.8)**	**(8.0)**	**(7.0)**	**(16.7)**
Dep'n/Other Amort'n	(0.1)	(0.1)	(0.1)	(0.1)
EBIT	**(5.9)**	**(8.1)**	**(7.0)**	**(16.7)**
Net Interest	0.0	(0.0)	0.1	0.3
Pre-Tax Profit	**(5.9)**	**(8.1)**	**(7.0)**	**(16.4)**
Tax Expense	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
NPAT	**(5.9)**	**(8.0)**	**(7.0)**	**(16.4)**
Growth (pcp)	-	-	-	-
Adjustments	0.0	0.0	0.0	0.0
NPAT Reported	(5.9)	(8.0)	(7.0)	(16.4)

PER SHARE DATA*

Year end June	FY20A	FY21A	FY22F	FY23F
EPS (c) - Reported	**(1.3)**	**(1.5)**	**(1.1)**	**(2.3)**
Growth (pcp)	n/a	14.2%	-27.7%	110.5%
EPS (c) - Adjusted	(1.3)	(1.5)	(1.1)	(2.3)
Growth (pcp)	n/a	14.2%	-27.7%	110.5%
Gross CF per share (c)	(0.9)	(1.1)	(1.2)	(1.9)
NTA per share (c)	0.9	1.0	4.7	2.5
Dividend (c)	0.0	0.0	0.0	0.0
Franking	0.0	0.0	0.0	0.0

KEY RATIOS

Year end June	FY20A	FY21A	FY22F	FY23F
Current ratio (x)	6.5	6.4	33.5	18.2
Net Debt : Equity (%)	-86.6%	-99.8%	-95.9%	-103.9%
Net Debt: EBITDA (x)	0.7	0.7	4.7	1.1
ROE (%)	n/a	n/a	n/a	n/a
ROIC (%)	n/a	n/a	n/a	n/a
Dividend Payout Ratio (%)	n/a	n/a	n/a	n/a

VALUATION MULTIPLES

Year end June	FY20A	FY21A	FY22F	FY23F
Reported PE Ratio (x)	**n/a**	**n/a**	**n/a**	**n/a**
Adjusted PE Ratio (x)	**n/a**	**n/a**	**n/a**	**n/a**
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	n/a	n/a	n/a	n/a
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	FY20A	FY21A	FY22F	FY23F
Shares Issued (m)	68.7	85.0	153.3	0.0
Issue Price (A$)	0.08	0.100	0.24	0.24
Gross Cash Raised (A$m)	5.5	8.5	36.8	0.0

BALANCE SHEET SUMMARY

Year end June	FY20A	FY21A	FY22F	FY23F
Cash + Cash Equivalents	4.1	6.0	32.9	19.0
Receivables	0.7	0.6	2.0	0.0
Inventories	0.0	0.0	0.0	0.0
Other	0.5	0.1	0.1	0.0
Total Current Assets	5.2	6.7	35.1	19.0
Inventories	0.0	0.0	0.0	0.0
PP&E	0.0	0.3	0.3	0.2
Intangibles	0.0	0.0	0.0	0.0
Other	0.1	0.0	0.0	0.0
Total Non-Current Assets	0.1	0.3	0.3	0.2
TOTAL ASSETS	**5.4**	**7.0**	**35.3**	**19.2**
Accounts Payable	0.3	0.5	0.5	0.0
Borrowings	0.1	0.1	0.1	0.1
Provisions	0.4	0.5	0.5	0.5
Other	0.0	0.0	0.0	0.5
Total Current Liabilities	0.8	1.0	1.0	1.0
Borrowings	0.0	0.2	0.2	0.2
Provisions	0.0	0.0	0.0	0.0
Other	0.0	0.5	0.5	0.5
Total Non-Current Liabilities	0.0	0.2	0.2	0.2
TOTAL LIABILITIES	**0.8**	**1.3**	**1.3**	**1.3**
TOTAL EQUITY	**4.5**	**5.7**	**34.0**	**18.0**

CASH FLOW SUMMARY

Year end June	FY20A	FY21A	FY22F	FY23F
EBIT (excl Abs/Extr)	**(5.9)**	**(8.1)**	**(7.0)**	**(16.7)**
Add: Dep'n & Amort'n	0.1	0.1	0.1	0.1
Other non-cash items	(2.0)	(2.4)	2.3	(5.2)
Less: Tax paid	0.0	(0.1)	0.0	0.0
Net Interest	0.0	(0.0)	0.1	0.3
Change in Rec.	(0.1)	0.1	(1.4)	2.0
Change in Inv.	0.0	0.0	0.0	0.0
Gross Cashflows	(3.9)	(5.8)	(8.0)	(13.9)
Capex	(0.0)	(0.0)	(0.0)	(0.0)
Free Cashflows	(4.0)	(5.8)	(8.0)	(13.9)
Share Issue Proceeds	5.2	7.9	35.0	0.0
Other	(0.1)	(0.1)	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0
Net Cash Flow	**1.2**	**2.0**	**26.9**	**(13.9)**
FX Effect on Cash	0.0	0.0	0.0	0.0

ANP valuation summary

	Probability (%)	Valuation (A$m)	Valuation A$/share
ATL1102 RoW non-ambulant DMD	30%	73.0	0.10
ATL1102 US non-ambulant DMD	20%	50.6	0.07
ATL1102 Ambulant DMD	20%	37.6	0.05
SG&A to 2024	-	2.0	0.00
Portfolio total	-	163.3	0.22
Cash end FY22e	-	32.9	0.05
Total Valuation	-	197.2	0.27

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Date Prepared: November 2021

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