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Antisense Therapeutics (ANP)

Exploring potential new indications for ATL1102

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Speculative Investment

Recommendation: Outperform

Our View

ANP's quarterly report highlighted its programs to identify potential new indications for ATL1102, in parallel to its preparations for the planned pivotal trial in non-ambulant Duchenne Muscular Dystrophy (DMD). Dosing has commenced in an animal model of an undisclosed inflammatory muscle disease. This potential new indication is a rare disease that affects both children and adults, with no effective treatments and where ATL1102's immunomodulatory activity offers potential treatment benefits. Separately, an upcoming study in a DMD animal model will assess the potential of combining ATL1102 with a dystrophin restoration drug to improve therapeutic outcomes beyond that achieved with the dystrophin drug alone. While these two projects represent opportunities to deepen ANP's product pipeline, its primary focus remain on preparations for the upcoming pivotal trial of ATL1102 in non-ambulant DMD. With $21.7m cash at 31 March, ANP has sufficient funds to initiate the pivotal trial, but will need around $14m of additional funds to complete the first stage of the Phase IIb/III trial to the planned futility analysis in mid CY23. With the pivotal trial expected to commence this year we maintain our Outperform recommendation and valuation of $0.27/sh ($0.25/sh fully diluted).

Key Points

Investigating a new inflammatory muscle disease
ANP is investigating the potential use of ATL1102 in an undisclosed inflammatory muscle disease through a collaboration with the Murdoch Children's Research Institute (MCRI). Dosing with an antisense inhibitor of CD49d (ie animal equivalent of ATL1102) or control has commenced in an animal model of the disease in the first phase of the program. The second stage of the program will study the impact of a longer period of drug dosing on reducing muscle damage, as determined by fat content of the muscle. Notably ATL1102 treatment stabilised fat levels in the muscle in its Phase IIa study in DMD patients. Results from the first stage of the program are expected in Q2 CY22.

Examining ATL1102 combined with a dystrophin restoration drug
The MCRI collaboration is also assessing whether combining CD49d inhibition with a dystrophin restoration drug in the mdx animal model of DMD improves outcomes compared to single agent therapy. Dystrophin restoration drugs, such as eteplirsen, golodirsen and casimersen, are more commonly used in younger patients in the earlier ambulant phase of DMD. Use in combination with dystrophin restoration therapy offers a potential pathway into the use of ATL1102 in the earlier stages of DMD.

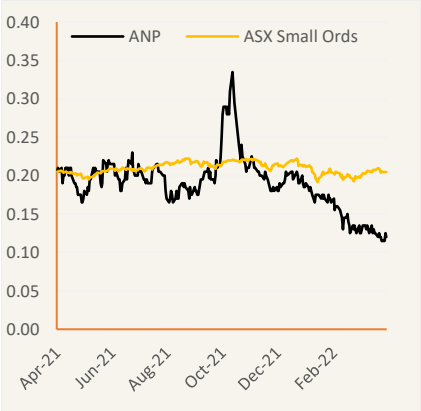
Preparations for the Phase IIb/III DMD trial on track
Submission of clinical trial applications in the 9 participating countries in the Phase IIb/III European trial of ATL1102 will commence this month; patient recruitment will commence once trial approvals are received. The double blind, pivotal trial will recruit 114 non-ambulant DMD patients who will be randomised 1:1:1 to receive weekly doses of placebo, 25mg or 50mg of ATL1102 for 52 weeks. A futility analysis based on PUL 2.0 scores mid CY23 will lead to a go/no go decision whether to continue the treatment groups or the study itself. The primary endpoint is expected to read out mid-CY24.

ATL1102 showed promise in Phase IIa DMD trial
In a previous 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. A higher 50mg dose will be included in the upcoming trial.

Summary (AUD)

Market Capitalisation	**$74m**
Share price	**$0.11**
52 week low	$0.10
52 week high	$0.35
Cash as at 31 March 2022	$21.7m

Share price graph (AUD)



Key Financials (AUDm)

	FY21A	FY22F	FY23F
Revenue	0.6	2.1	5.0
R&D	(4.9)	(7.4)	(19.4)
SG&A	(3.7)	(1.6)	(1.3)
EBITDA	(8.0)	(7.0)	(15.7)
Reported NPAT	(8.0)	(7.0)	(15.4)
NPAT Adj.	(8.0)	(7.0)	(15.4)
EPS Adj. (c)	(1.5)	(1.0)	(2.0)
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

Our conflicts of interest are disclosed on the last page of this report.

Antisense Therapeutics - Summary of Forecasts — ANP $ 0.11

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	5.0
Total Revenue	**0.7**	**0.6**	**2.1**	**5.0**
Growth (pcp)	26.3%	-14.6%	228.8%	138.5%
R&D Expenses	(2.2)	(4.9)	(7.4)	(19.4)
CoGS + SG&A expenses	(4.3)	(3.7)	(1.6)	(1.3)
EBITDA	**(5.8)**	**(8.0)**	**(7.0)**	**(15.7)**
Dep'n/Other Amort'n	(0.1)	(0.1)	(0.1)	(0.1)
EBIT	**(5.9)**	**(8.1)**	**(7.0)**	**(15.8)**
Net Interest	0.0	(0.0)	0.1	0.3
Pre-Tax Profit	**(5.9)**	**(8.1)**	**(7.0)**	**(15.4)**
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)**	**(15.4)**
Growth (pcp)	-	-	-	-
Adjustments	0.0	0.0	0.0	0.0
NPAT Reported	(5.9)	(8.0)	(7.0)	(15.4)

PER SHARE DATA*

Year end June	FY20A	FY21A	FY22F	FY23F
EPS (c) - Reported	**(1.3)**	**(1.5)**	**(1.0)**	**(2.0)**
Growth (pcp)	n/a	14.2%	-30.9%	91.6%
EPS (c) - Adjusted	(1.3)	(1.5)	(1.0)	(2.0)
Growth (pcp)	n/a	14.2%	-30.9%	91.6%
Gross CF per share (c)	(0.9)	(1.1)	(1.2)	(2.3)
NTA per share (c)	0.9	1.0	4.3	2.4
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	19.1
Net Debt : Equity (%)	-86.6%	-99.8%	-95.9%	-77.5%
Net Debt: EBITDA (x)	0.7	0.7	4.7	0.9
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	212.7	0.0
Issue Price (A$)	0.08	0.100	0.17	0.12
Gross Cash Raised (A$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	15.0
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	5.0
Total Current Assets	5.2	6.7	35.1	20.0
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**	**20.2**
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**	**18.9**

CASH FLOW SUMMARY

Year end June	FY20A	FY21A	FY22F	FY23F
EBIT (excl Abs/Extr)	**(5.9)**	**(8.1)**	**(7.0)**	**(15.8)**
Add: Dep'n & Amort'n	0.1	0.1	0.1	0.1
Other non-cash items	(2.0)	(2.4)	2.3	(0.3)
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)	(17.9)
Capex	(0.0)	(0.0)	(0.0)	(0.0)
Free Cashflows	(4.0)	(5.8)	(8.0)	(17.9)
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**	**(17.9)**
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%	73.7	0.11
ATL1102 US non-ambulant DMD	20%	44.4	0.07
ATL1102 Ambulant DMD	20%	39.2	0.06
RPD Priority Review Voucher	10%	11.1	0.02
SG&A	-	(9.5)	(0.01)
Portfolio total	-	158.9	0.24
Cash 31Dec 2021	-	23.5	0.04
Total Valuation	-	183.4	0.27

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