



iX Biopharma Ltd

Journey taking longer but progressing

SINGAPORE | HEALTHCARE | UPDATE

- Annuity stream from milestone and royalty payments of Wafermine is on track, with out-licensing partner Seelos Therapeutics (SEEL US, Non-Rated) planning Phase 2 trials for Complex Regional Pain Syndrome (CRPS) in 2QFY23.
- iX Biopharma has expanded its pipeline of drugs by developing a sublingual wafer containing dexmedetomidine to treat multiple indications including Alzheimer's disease-related agitation.
- Near-term developments include expanding markets for the distribution of cannabis to the United Kingdom and United States. We expect FY23e revenue from Xativa and nutraceuticals. We lowered our DCF target price to S\$0.25 (prev. S\$0.355) due to the delays in capacity expansion and drug trials, and have nudged up our WACC assumption. iX Biopharma is re-purposing active ingredients into higher efficacy drugs using its sublingual Waferix. Targeted treatments include acute pain, CRPS, acute agitation in dementia, male erectile dysfunction, vaccine delivery and medicinal cannabis.

PHARMACEUTICALS

1. Wafermine: treatment of CRPS

- In the licensing agreement with Seelos in November 2021, iX Biopharma received US\$4.7mn in cash and 2.57mn in Seelos shares. Around 0.3mn Seelos shares were paid as fees. The company retains 2.27mn shares on the balance sheet valued at S\$2.3mn. There was a S\$3.2mn fair value loss due to the decline in the share price. These shares are now valued at around S\$3.4mn.
- The company was granted US FDA orphan designation for CRPS, a rare disorder. Following the out-licensing to Seelos, Seelos is planning to begin Phase 2 trials for CRPS in 2QFY23. Seelos has designated the drug as SLS-003. It is expected that Seelos will have market exclusivity of seven years from regulatory approval of the drug.
- Seelos will make payments up to US\$239mn upon the achievement of certain development and sales milestones together with royalties on future sales. All costs including development and registration of the product will be borne by Seelos.

2. Dexmedetomidine: treatment of agitation in dementia

- iX Biopharma is developing a sublingual dexmedetomidine wafer for the treatment of agitation in dementia. Dexmedetomidine was initially approved as an intravenous infusion (IV) by the US Food and Drug Administration (FDA) as a sedative medication.
- Drug formulation has been completed and Phase 1 human study is underway with results in December 2022/January 2023

3. Wafesil: treatment of male erectile dysfunction

- In September 2021, a supply agreement was signed with China Resources Pharmaceutical Commercial Group Co., Ltd (CRPCG). CRPCG is responsible for obtaining the marketing authorisation for Wafesil in China. There will be upfront and licensing fee payments prior to the commercialisation of Wafesil. We expect filling with the Chinese regulators to be conducted by 1Q23.
- iX Biopharma is also looking at the distribution of Wafesil in other countries.

30 September 2022

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.131
FORECAST DIV	SGD 0.000
TARGET PRICE	SGD 0.250
TOTAL RETURN	90.8%

COMPANY DATA

BLOOMBERG CODE	IXBIO SP
O/S SHARES (MN) :	765
MARKET CAP (USD mn / SGD mn) :	70 / 100.3
52 - WK HI/LO (SGD) :	0.280 / 0.130
3M Average Daily T/O (mn) :	0.11

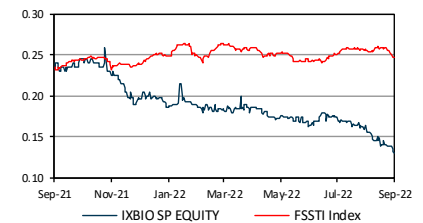
MAJOR SHAREHOLDERS

LEE YIP HANG	25.7%
HRT CORPORATION PTE LTD	8.7%
NARULLA JASPAL SINGH	4.9%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(17.0)	(22.4)	(43.8)
STI RETURN	(3.3)	0.8	5.5

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Jun, (S\$'000)	FY21	FY22	FY23e	FY24e
Revenue	1,745	14,390	4,000	11,500
EBITDA	(7,005)	(2,837)	(6,215)	7,616
NPAT	(8,234)	(4,598)	(7,431)	5,344
EPS (S\$ Cents)	(1.2)	(0.6)	(1.0)	0.7
P/B (x)	7.7	5.0	6.7	4.9
DPS (Cents)	-	-	-	-
ROE	-70.3%	-23.3%	-49.5%	26.2%

Source: Company, PSR

VALUATION METHOD

DCF @ WACC = 12.0%, g = 2.0%

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4. Xativa: sublingual medicinal cannabis

- Xativa, the company's sublingual Cannabidiol (CBD) wafer is sold in Australia with a prescription in a variety of dosage strengths. We expect more product enhancements including combining with other nutraceutical ingredients. The company will be introducing a Tetrahydrocannabinol (THC) only version (called Hypera) in 2Q23.
- The company plans to market Xativa in larger cannabis markets outside Australia including the UK and US. Regulatory approval in the UK is progressing although it was delayed due to the pandemic

NUTRACEUTICALS

The Entity nutraceutical is sold in China through Tmall Global and JD Worldwide. The lockdowns and tight border controls affected delivery time and cost. Products had to be COVID-19 tested before arrival in China. To differentiate its nutraceuticals, iX does 3rd party clinical trials for the efficacy of its products. Positive results will be supportive of their marketing efforts.

CAPACITY

Capacity has been boosted six times with new freeze dry equipment in Australia. The effective increase in capacity was in 4QFY22.

Recommendation

Our DCF model is highly dependent on development milestone payments and sales royalties from Wafermine. There is a high level of uncertainty over these cash-flows as it assumes completion of drug trials and successful sales of Wafermine.

Financials

Income Statement

Y/E Jun, S\$'000	FY20	FY21	FY22	FY23e	FY24e
Revenue	985	1,745	14,390	4,000	11,500
Cost of sales	(1,572)	(2,127)	(2,100)	(1,200)	(3,675)
Gross profit/(loss)	(587)	(382)	12,290	2,800	7,825
Other income	1,047	1,575	772	918	10,917
Expense					
Research and development	(2,499)	(2,747)	(2,332)	(1,349)	(1,349)
Sales and marketing	(2,260)	(2,249)	(2,075)	(2,795)	(2,993)
General and administrative	(6,346)	(6,051)	(7,382)	(6,815)	(7,780)
Others	384	1,795	(5,170)	-	-
Finance expense	(238)	(174)	(202)	(190)	(181)
Profit/(loss) before tax	(10,499)	(8,233)	(4,099)	(7,431)	6,438
Income tax (expense)/credit	-	(1)	(499)	-	(1,095)
Profit/(loss) after tax	(10,499)	(8,234)	(4,598)	(7,431)	5,344
Total gains/loss	(10,499)	(8,234)	(4,598)	(7,431)	5,344

Per share data

Y/E Jun, SG cents	FY20	FY21	FY22	FY23e	FY24e
EPS, continuing operations	(1.6)	(1.2)	(0.6)	(1.0)	0.7
BVPS	1.6	1.7	2.6	2.0	2.7

Cash Flows

Y/E Jun, S\$'000	FY20	FY21	FY22	FY23e	FY24e
CFO					
Profit/(loss) before tax	(10,499)	(8,234)	(4,598)	(7,431)	5,344
Adjustments	1,090	(521)	7,713	1,216	1,178
Working capital changes	260	(328)	(698)	(354)	(250)
Operating cash flow	(9,149)	(9,083)	2,417	(6,569)	6,272
Net operating cash flow	(8,320)	(8,352)	3,123	(6,569)	6,272
CFI					
CAPEX, net	(984)	(553)	(200)	(800)	(800)
Acquisition of subsidiaries	-	-	-	-	-
Others	(10)	46	(5,423)	-	-
Net investing cash flow	(994)	(507)	(5,623)	(800)	(800)
CFE					
Proceeds from issuance of shares	-	10,180	9,617	2,712	-
Loans, net of repayments	(826)	(156)	172	(190)	(181)
Net financing cash flow	(826)	10,024	9,789	2,522	(181)
Net change in cash	(10,140)	1,165	7,289	(4,846)	5,291
CCE, end	4,470	5,685	13,006	8,160	13,450
Less: Bank deposits pledged	(1,193)	(1,193)	(1,193)	(1,193)	(1,193)
Cash & cash equivalents	5,663	6,878	14,199	9,353	14,643

Source: Company, PSR Estimates

Balance Sheet

Y/E Jun, S\$'000	FY20	FY21	FY22	FY23e	FY24e
ASSETS					
Deposits - operating lease	105	148	67	67	67
Intangible assets	447	413	346	346	346
PPE	8,026	8,338	7,495	7,269	7,072
Right of use assets	261	607	229	229	229
Total non-current assets	8,143	9,351	16,843	12,860	18,900
Cash & cash equivalents	5,663	6,205	13,494	8,648	13,938
Trade & other receivables	1,300	1,816	1,981	2,800	3,500
Other current assets	297	227	462	462	462
Inventories	883	1,103	906	950	1,000
Total current assets	8,143	9,351	16,843	12,860	18,900
Total assets	16,982	18,857	28,517	24,307	30,151
LIABILITIES					
Lease liabilities	19	238	-	-	-
Borrowings	3,438	3,201	876	876	876
Others	60	40	42	42	42
Total non-current liabilities	3,517	3,479	918	918	918
Trade and other payables	2,824	2,808	2,491	3,000	3,500
Lease liabilities	245	375	238	238	238
Borrowings	216	421	3,291	3,291	3,291
Others	12	63	1,835	1,835	1,835
Total current liabilities	3,297	3,667	7,855	8,364	8,864
Total liabilities	6,814	7,146	8,773	9,282	9,782
EQUITY					
Share capital	72,251	83,337	94,178	96,890	96,890
Other reserves	1,653	344	2,134	2,134	2,134
Retaining earnings/ (accumulated losses)	(63,736)	(71,970)	(76,568)	(83,999)	(78,655)
Total equity	10,168	11,711	19,744	15,025	20,369

Valuation Ratios

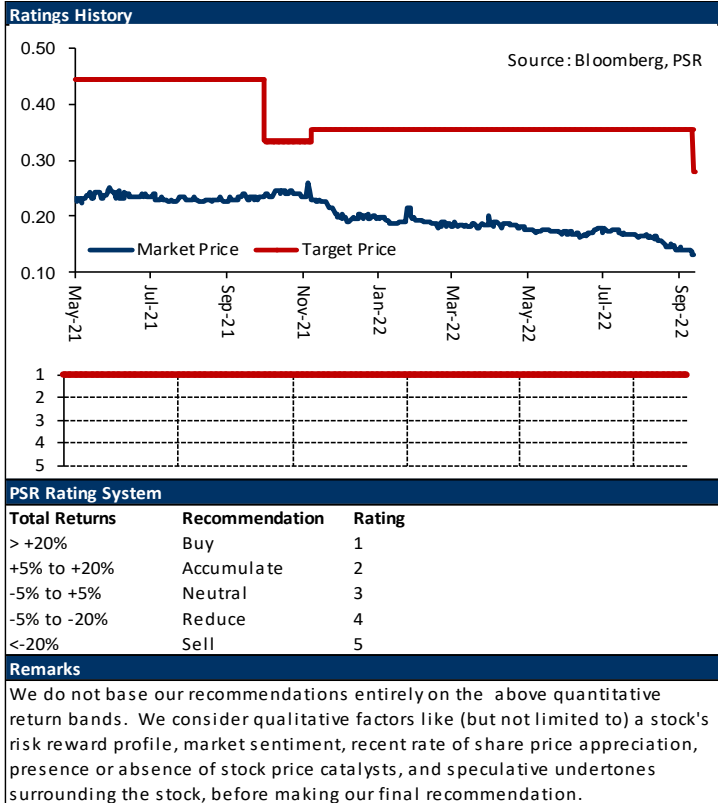
Y/E Jun	FY20	FY21	FY22	FY23e	FY24e
P/E (x)	-	-	-21.4	-13.5	18.8
P/B (x)	8.3	7.7	5.0	6.7	4.9
EV/EBITDA (x)	-8.3	-12.0	-29.9	-14.7	11.3

Growth & Margins

	FY20	FY21	FY22	FY23e	FY24e
Growth					
Revenue	47%	77%	725%	-72%	188%
Gross profit/loss	11%	-35%	-3317%	-77%	179%
EBITDA	3062%	-27%	-60%	119%	-223%
Net profit/loss	251%	-22%	-44%	n.m.	n.m.
Margins					
Gross margin	-60%	-22%	85%	70%	68%
EBITDA margin	-973%	-401%	-20%	-155%	66%
Net profit margin	-1066%	-472%	-32%	-186%	46%

Key Ratios

	FY20	FY21	FY22	FY23e	FY24e
ROE	-103.3%	-70.3%	-23.3%	-49.5%	26.2%
ROA	-61.8%	-43.7%	-16.1%	-30.6%	17.7%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash



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