

## SPEC BUY

Current Price \$0.08  
Target Price \$0.29

Shares on Issue (m): 972.7  
Market Cap (\$m): 85.6  
Net Debt / (Cash) (\$m): -34.8  
Enterprise Value (\$m): 50.8

52 wk High/Low: 0.27 0.08  
12m Av Daily Vol (m): 3.85

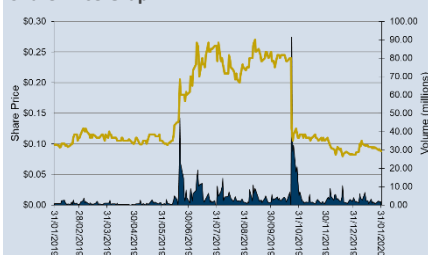
### Risk adjusted valuation (NPVs):

BTX 1503 (\$m) 147.1  
BTX 1204 (\$m) 34.3  
BTX 1308 (\$m) 42.7  
BTX 1701 (\$m) 7.1  
BTX 1801 (\$m) 29.8  
Less: Corporate Costs (\$m) -32.5  
Add: Unpaid Capital (\$m) 70.8  
Total portfolio (\$m) 299.3  
Assumed dilution (%) 16%  
Diluted Portfolio Value (\$m) 250.5  
Add: Current Cash (\$m) 34.8  
Valuation (\$m) 285.3

### Financials:

	4Q19A	1Q20A	2Q20A
Op CF (\$m)	-4.8	-6.9	-7.6
Inv CF (\$m)	-0.0	-0.0	-0.1
Fin CF (\$m)	0.3	32.6	-9.9
Net CF (\$m)	-4.6	32.6	-9.9
Cash (\$m)	4.7	37.3	27.2

### Share Price Graph



Please refer to important disclosures at end of the report (from page 2)

Monday, 3 February 2020

## Botanix (BOT)

### 31 December 2019 Quarterly Report

Analyst | Michael Eidne

### Quick Read

BOT is going to take its acne treatment BTX1503 forward to a Phase 3 study and start two new studies on rosacea and testing the anti-microbial properties of CBD. The results of the BTX1204 Atopic Dermatitis Study is expected in the current quarter. We maintain our SPEC BUY recommendation and \$0.29 price target.

### Quarterly update - Positive

**BTX1503 Acne Study moving to the next phase:** During the quarter BOT released the results of its BTX1503 Phase 2 acne trial. We examined these results in detail and contextualised them with other acne trial results in our November report "[Botanix Acne Results Deep Dive](#)". As a result of the excellent safety profile and the positive results from the Australian arm, BOT is preparing to proceed to an end-of-Phase two meeting with the FDA and preparing for a Phase 3 clinical study. Post the completion of the study BOT has been working on understanding the differences in results between the Australian and United States arms and has concluded that the data was sound, but that a manufacturing deficiency in the United States of the Permatrex® vehicle caused the anomalous result. BOT believes the recent de-scheduling of the API (Purisy's supplied CBD) will simplify the manufacturing process and prevent inconsistencies in the future. Going forward, the vehicle, Permatrex®, will be manufactured by a single contract manufacturer in a new bespoke manufacturing vessel, preventing any chance contamination.

**Atopic Dermatitis results are due this quarter:** Recruitment for the BTX1204 Atopic Dermatitis Phase 2 study has been completed, and data is anticipated in the current quarter. A total of 211 patients have been enrolled across the US, Australia and New Zealand. The studies main endpoints are safety and efficacy. Atopic dermatitis is an attractive market due to the fact competing therapies are largely steroidal in nature which patients can only use for a limited time. CBD's excellent safety profile could provide long term relief to patients which could be revolutionary.

**Two new studies are about to commence:** BOT has received ethics approval for a BTX1702 Papulopustular Rosacea Study, and this is expected to start in the first quarter of this year. BOT is also planning to initiate an anti-microbial study on BTX1801 late the first quarter this calendar year.

**BOT is well funded:** At the end of the quarter had \$27.2m in cash and in the early part of this quarter received a \$7.6m R&D tax refund giving it \$34.8m in the bank. BOT is therefore well-funded for its current program.

**What to expect in 2020:** Atopic Dermatitis results in the first quarter, the start of the Rosacea Study, progress in anti-microbial studies, the potential for a commercial deal with big pharma across BOT's ever-expanding portfolio of treatments.

### Recommendation

We maintain our SPEC BUY recommendation and \$0.29 price target

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**Important Disclose**

Argonaut acted as Joint Lead Manager in respect of the Placement that raised \$40M in July 2019 and received fees commensurate with this service. Argonaut holds or controls 5,000,000 BOT shares.

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