EUROZ HARTLEYS

PROACTIVE | PUBLISHED ON 06 MARCH 2025

BOT: No Good Reasons for the Sell-off; Buy

BOT.ASX | BOTANIX PHARMACEUTICALS LIMITED | HEALTHCARE | BIOTECHNOLOGY

PRICE	TARGET PRICE	RECOMMENDATION
A$0.375/sh	**A$0.550/sh**	**BUY**
	(UNCHANGED)	(UNCHANGED)

Event

BOT's share price has softened over the past two weeks. Aside from broader macroeconomic factors, there are no good company-specific reasons which justify this share price movement.

In this analysis, we address potential concerns and outline why BOT represents a compelling buying opportunity at current prices.

Impact

Since releasing its 1H results last week, BOT's share price has come under pressure. Although a broader market risk-off has been evident in recent days – reflected in movements of key indices such as the S&P 500, Nasdaq Composite, and sector specific XBI S&P biotech index – the extent of BOT's decline remains puzzling.

The half year results came with no surprises, given this was a pre-launch period. Moreover, relevant financial metrics, such as cash movements and the ending cash balance, were already released in the January 4C quarterly update.

While some might have expected a comprehensive trading update on the Sofdra launch, which had occurred only a few weeks prior to the results, this expectation was likely unrealistic given the short period since the launch.

Furthermore, we foresee a limited impact to BOT from the recent news of the United States imposing a 25% tariff on Canadian exports. Although Sofdra is manufactured in Canada by contract manufacturer CPL, it is our understanding these tariffs will apply to the cost of goods sold, not the top-line Sofdra sale price, suggesting a negligible financial impact.

Overall, we remain confident in the opportunity present. The investment thesis is playing out as expected – the telemedicine platform is working, the sales team is deployed, key payer coverage is finalised, and early indicators show overwhelmingly positive feedback on Sofdra. We have discussed all of this in our recent research (see here).

Action

We maintain our Buy Recommendation and $0.55 Price Target

The company is at a pivotal stage with the full commercial launch of Sofdra underway. Successful sales traction should see the stock re-rate, potentially above our price target.

Historically, comparable ASX-listed biotech companies have traded on circa 13.0x and 7.4x their two- and three-year forward revenues at launch. In contrast, BOT is trading at a ~53% discount to these averages (Figure 1 and 2). **Further, applying these multiples to our forecasts would imply a ~$0.77 share price.**

Catalysts

Quarterly Updates / Sales Traction / Digital Program

Analyst

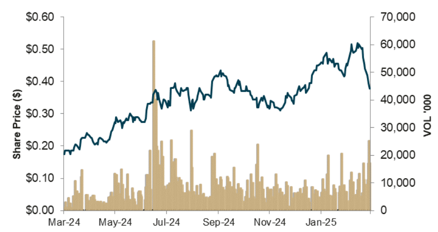
Seth Lizee

slizee@eurozhartleys.com

Share Price	0.375	A$/sh
Price Target	**0.55**	**A$/sh**
Valuation	0.55	A$/sh
Shares on issue	1,982	m, dil
Market Capitalisation	743.2	A$m
Enterprise Value	687.2	A$m
Debt (1H)	0.0	A$m
Cash (1H)	48.4	A$m
Unpaid capital	7.6	A$m

Key Metrics	**25F**	**26F**	**27F**
Revenue (A$m)	16.4	111.8	202.8
EBITDA (A$m)	-46.2	25.5	97.2
Reported NPAT (A$m)	-47.9	24.3	96.1
Norm NPAT (A$m)	-47.9	24.3	96.1
Gross CF (A$m)	-35.7	25.5	97.2
Capex (A$m)	0.0	0.0	0.0
Op. FCF (A$m)	-45.1	10.1	87.9
EBITDA Gwth (%)	2.3	-1.6	2.8
NPAT Gwth (%)	2.5	-1.5	2.9
Norm EPS (Ac)	-2.4	1.2	4.9
Norm. EPS gwth (%)	2.4	-1.5	2.9
PER (x)	-14.3	28.1	7.1
EV/EBITDA (x)	-14.9	27.0	7.1
EV/Revenue (x)	42.0	6.1	3.4
Net Cash (A$m)	34.2	44.3	132.2

Performance



Source: IRESS

Income Statement (A$m)	24A	25F	26F	27F
Net Sales	0.0	14.7	109.6	200.0
Royalties	0.6	0.7	0.9	1.1
Other (inc R&D)	1.5	1.0	1.4	1.7
Total Revenue	**2.1**	**16.4**	**111.8**	**202.8**
(-) COGS (inc. roy)	0.0	-3.7	-26.2	-45.6
Gross Profit	**2.1**	**12.7**	**85.6**	**157.2**
(-) R&D	-1.8	0.0	0.0	0.0
(-) SG&A	-14.2	-58.9	-60.2	-60.0
EBITDA	**-13.8**	**-46.2**	**25.5**	**97.2**
(-) D&A	-0.1	-1.8	-1.1	-1.2
EBIT	**-13.9**	**-47.9**	**24.3**	**96.1**
(-) Net finance	0.0	0.0	0.0	0.0
(+/-) Other	0.1	0.0	0.0	0.0
PBT	**-13.9**	**-47.9**	**24.3**	**96.1**
(-) Tax	0.0	0.0	0.0	0.0
NPAT	**-13.9**	**-47.9**	**24.3**	**96.1**
(+/-) Adj.	0.0	0.0	0.0	0.0
Norm NPAT	**-13.9**	**-47.9**	**24.3**	**96.1**

Cashflow Statement (A$m)	24A	25F	26F	27F
NPAT	**-13.9**	**-47.9**	**24.3**	**96.1**
(+) D&A	0.1	1.8	1.1	1.2
(+) Non-cash expenses	4.4	10.5	0.0	0.0
(-) Leases	0.0	0.0	0.0	0.0
(+/-) Other	0.0	0.0	0.0	0.0
Gross Cash Flow	**-9.4**	**-35.7**	**25.5**	**97.2**
(-) Capital expenditure	-5.1	0.0	0.0	0.0
(+/-) Working capital	1.7	-9.5	-15.3	-9.4
Operating Free Cash Flow	**-12.8**	**-45.1**	**10.1**	**87.9**
(-) Acquisition	-12.9	0.0	0.0	0.0
(-) Milestone payment	0.0	0.0	0.0	0.0
(+) Placement	94.8	0.0	0.0	0.0
(+) Disposal	0.0	0.0	0.0	0.0
(+/-) Other	0.0	0.0	0.0	0.0
Net Cash Flow	**69.1**	**-45.1**	**10.1**	**87.9**
BoP Net Cash / (Debt)	10.3	79.3	34.2	44.3
(+/-) Net Cash Flow	69.1	-45.1	10.1	87.9
(+/-) Other	0.0	0.0	0.0	0.0
EoP Net Cash / (Debt)	**79.3**	**34.2**	**44.3**	**132.2**

Balance Sheet (A$m)	24A	25F	26F	27F
Cash	79.3	34.2	44.3	132.2
Inventory	1.2	10.0	14.4	12.5
Receivables	0.8	2.7	13.8	25.0
Other	1.6	1.6	1.6	1.6
Current Assets	**82.9**	**48.5**	**74.0**	**171.2**
PP&E	0.1	0.1	0.1	0.0
Intangible	29.5	27.7	26.6	25.4
ROUA	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Non-current Assets	**29.6**	**27.8**	**26.7**	**25.5**
Total Assets	**112.5**	**76.2**	**100.7**	**196.7**
Payables	3.6	4.8	4.9	4.9
Lease liabilities	0.0	0.0	0.0	0.0
Provisions	0.1	0.1	0.1	0.1
Current Liabilities	**3.7**	**4.9**	**5.1**	**5.0**
Lease liabilities	0.0	0.0	0.0	0.0
Non-current liabilities	**0.0**	**0.0**	**0.0**	**0.0**
Total liabilities	**3.7**	**4.9**	**5.1**	**5.0**
Net Assets	**108.7**	**71.3**	**95.6**	**191.7**
Issued Capital	188.3	188.3	188.3	188.3
Reserves	11.2	11.2	11.2	11.2
Retained earnings	-90.8	-138.8	-114.4	-18.4
Total equity	**108.7**	**60.8**	**85.1**	**181.2**

Performance Ratios	24A	25F	26F	27F
Growth & Margins				
Revenue Growth	-44%	663%	583%	81%
EBITDA Growth	55%	233%	-155%	282%
EBIT Growth	53%	245%	-151%	295%
Net Profit Growth	51%	246%	-151%	295%
Margins				
EBITDA margin	-645%	-282%	23%	48%
EBIT margin	-649%	-293%	22%	47%
Net profit margin	-647%	-293%	22%	47%
Effective tax rate	0%	0%	0%	0%
Liquidity				
Capex/depreciation	69.9	0.0	0.0	0.0
Current ratio	22.2	9.8	14.7	34.0
Quick ratio	22.1	7.6	11.7	31.9
Receivable days	139.0	60.0	45.0	45.0
Payable days	82.7	30.0	30.0	30.0
Risk Measures				
Dividend Cover	na	na	na	na
Payout ratio	0%	0%	0%	0%
Net interest cover	na	na	na	na
Net debt/equity	-0.7	-0.6	-0.5	-0.7
Returns				
ROIC	-9%	-55%	20%	37%
ROA	-12%	-63%	24%	49%
ROE	-13%	-79%	29%	53%

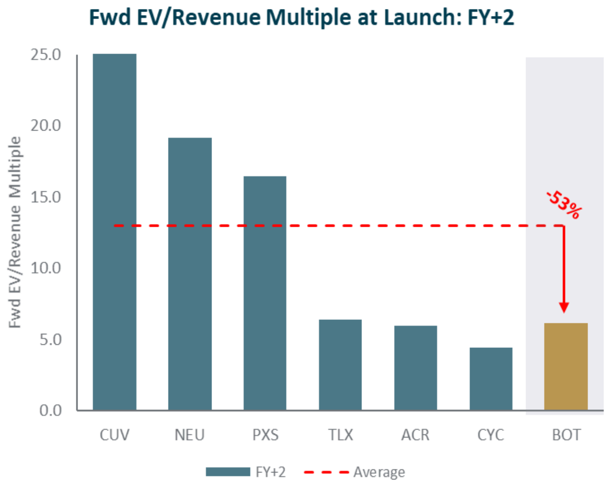
Share Data/Valuation	24A	25F	26F	27F
Issued shares	1,810	1,826	1,826	1,826
Weighted ave shares	1,561	1,818	1,826	1,826
Fully diluted shares	1,914	1,974	1,974	1,974
Basic EPS	-0.8	-2.6	1.3	5.3
YoY change	10%	243%	-151%	295%
Fully diluted EPS	-0.7	-2.4	1.2	4.9
YoY change	13%	235%	-151%	295%
Fully diluted norm EPS	-0.7	-2.4	1.2	4.9
YoY change	13%	235%	-151%	295%
Dividend/share	0.0	0.0	0.0	0.0
Franking	na	na	na	na
Gross cash flow/share	-0.5	-2.0	1.4	5.3
NBV/share	6.0	3.3	4.7	9.9
NTA/Share	4.4	1.8	3.2	8.5
Valuation				
PER (Basic) (x)	-48.9	-14.3	28.1	7.1
PER (Fully diluted) (x)	-51.7	-15.4	30.4	7.7
PER (Fully diluted, norm) (x)	-51.7	-15.4	30.4	7.7
P/CFPS (x)	-72.2	-19.2	26.9	7.0
Price/NBV (x)	6.2	11.3	8.0	3.8
Price/NTA (x)	8.6	20.7	11.7	4.4
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/EBITDA (x)	-49.6	-14.9	27.0	7.1
EV/EBIT (x)	-49.4	-14.3	28.2	7.2
EV/Revenue (x)	320.3	42.0	6.1	3.4

Peer Trading Multiples

Considering the full commercial launch of Sofdra is \underway, we have explored what multiples the market has historically paid for companies at this stage.

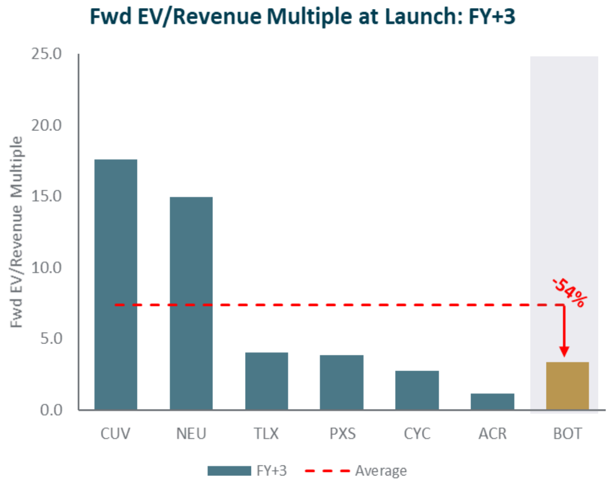
The diagrams below (Figure 1 and 2) illustrate the forward enterprise to revenue multiple of several ASX-listed companies to have secured an FDA approval (specifically companies who secured approval on their first drug). These multiples are calculated based on forward consensus revenue at the date of commercial launch.

Figure 1: Forward EV/Revenue multiple at launch, based on consensus 2-years forward revenues



Source: Factset, EH analysis

Figure 2: Forward EV/Revenue multiple at launch, based on consensus 3-years forward revenues



Source: Factset, EH analysis

Acknowledging these businesses vary in different ways (business model, disease areas, existing licensing agreements, ex-US approvals, and product portfolios), indicatively the market has paid:

- 4.4x to 25.5x (13.0x average) 2-year forward consensus revenues; and
- 1.1x to 17.6x (7.4x average) 3-year forward consensus revenues

In contrast, BOT is trading at a ~53% discount to these average multiples. **Applying these average multiples to our forecasts would imply an ~$0.77 share price.**

Forecasts

Our Sofdra forecasts are shown below (Figure 3).

Figure 3: US Sofdra Forecasts, in US dollars

US Sofdra Forecasts	Units	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Prescriptions Sold	**'000s**	**20.0**	**145.4**	**257.6**	**372.2**	**487.9**	**598.5**	**703.1**	**806.8**	**907.6**	**1,007.5**
… Growth	%		626%	77%	44%	31%	23%	17%	15%	12%	11%
Implied Direct Penetration*	%	0.1%	0.2%	0.4%	0.5%	0.6%	0.7%	0.8%	0.9%	0.9%	1.0%
Implied Digital Penetration*	%	0.0%	0.1%	0.2%	0.3%	0.4%	0.5%	0.6%	0.8%	0.9%	1.0%
Net pricing (net)	US$/script	450	464	477	492	506	522	537	553	570	587
…Price Escalation	%		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Net Sales	**US$m**	**9.0**	**67.4**	**123.0**	**183.0**	**247.1**	**312.2**	**377.8**	**446.5**	**517.4**	**591.6**
(-) COGS	**US$m**	**-1.8**	**-12.7**	**-21.9**	**-30.6**	**-38.6**	**-45.3**	**-50.6**	**-54.9**	**-57.9**	**-59.7**
Gross Profit	**US$m**	**7.2**	**54.7**	**101.1**	**152.5**	**208.6**	**267.0**	**327.2**	**391.6**	**459.4**	**531.8**
…Gross Margin	%	80%	81%	82%	83%	84%	86%	87%	88%	89%	90%
(-) SG&A	**US$m**	**-29.8**	**-37.0**	**-36.9**	**-50.3**	**-61.8**	**-70.3**	**-75.6**	**-89.3**	**-103.5**	**-118.3**
…as % of Net sales	%	330%	55%	30%	28%	25%	23%	20%	20%	20%	20%
(-) Royalty	**US$m**	**-0.5**	**-3.4**	**-6.2**	**-9.2**	**-12.4**	**-15.6**	**-18.9**	**-22.3**	**-25.9**	**-29.6**
…as % of Net sales	%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Operating Income	**US$m**	**-23.0**	**14.3**	**58.1**	**93.0**	**134.4**	**181.1**	**232.7**	**280.0**	**330.1**	**383.9**

*Source: EH estimate, *based on ~3.7 million existing patients seeking treatment (diagnosed in the last year, growing 2% pa), assuming 12 prescriptions per patient, **based on other ~3.3 million patients diagnosed in the last decade, growing 2% pa (i.e. digital opportunity), assuming 12 prescriptions per patient; excludes non-cash share-based payments*

Personal disclosures

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities, and we are not in possession of, nor does this Research contain any inside information.

No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring Analyst in this research, nor has there been any adverse or undue influence on the Analyst in the preparation of this report.

Company disclosures

The companies and securities mentioned in this report, include:

Botanix Pharmaceuticals Limited (BOT.ASX) | Price A$0.375 | Target price A$0.550 | Recommendation Buy;

Price, target price and rating as at 06 March 2025 (not covered)*

Additional disclosures

The analyst declares that they have a beneficial interest in: Botanix Pharmaceuticals Limited (BOT.ASX)

Euroz Hartleys declares that it has provided corporate advice during the last year and has received a fee for these services from: Botanix Pharmaceuticals Limited (BOT.ASX)

Euroz Hartleys declares that it has acted as underwriter to, and/or arranged an equity issue in, and/or been engaged in a capital raising during the last year. Euroz Hartleys has received a fee for these services from: Botanix Pharmaceuticals Limited (BOT.ASX)

Euroz Hartleys has received an allocation of shares and/or options as part of our fee for the provision of Corporate services. These holdings are maintained in our Nominee company, and may present a potential benefit to Euroz Hartleys when sold for: Botanix Pharmaceuticals Limited (BOT.ASX)

Other disclosures, disclaimers and certificates

Copyright & Distribution

Disclaimer & Disclosure

Euroz Hartleys Limited, and their associates declare that they deal in securities as part of their securities business and consequently may have an interest in the securities recommended herein (if any). This may include providing equity capital market services to the issuing company, hold a position in the securities, trading as principal or agent and as such may effect transactions not consistent with the recommendation (if any) in this report.

You should not act on any recommendation issued by Euroz Hartleys Limited without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your objectives, financial situation and needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz Hartleys Limited believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz Hartleys Limited accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference. The author of this publication, Euroz Hartleys Limited, it's directors and their associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Euroz Hartleys Limited, and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of transactions arising from any advice mentioned in publications to clients.

This research report is the product of Euroz Hartleys. This research is not intended for use by any U.S. person that does not qualify as a Major U.S. Institutional Investor (as defined in SEC Rule 15a-6). The analysts who prepare Euroz Hartleys' reports are employees of Euroz Hartleys, reside outside the United States and are not associated with an SEC-registered broker-dealer. As a result, such analysts are not subject to FINRA Rule 2241 or to SEC Regulation AC which, among other things, restrict a research analyst's public appearances, personal securities trading and communications with subject companies.

Research Analysts

Gavin Allen, Executive Director & Head of Research | +618 9488 1413 | gallen@eurozhartleys.com

Trent Barnett, Senior Analyst | +618 9268 3052 | tbarnett@eurozhartleys.com

Mike Millikan, Senior Analyst | +618 9268 2805 | mmillikan@eurozhartleys.com

Michael Scantlebury, Resources Analyst | +618 9268 2837 | mscantlebury@eurozhartleys.com

Steven Clark, Resources Analyst | +618 9488 1430 | sclark@eurozhartleys.com

Kyle De Souza, Resources Analyst | +618 9488 1427 | kdesouza@eurozhartleys.com

Declan Bonnick, Research Analyst | +618 9488 1481 | dbonnick@eurozhartleys.com

Seth Lizee, Research Analyst | +618 9488 1414 | slizee@eurozhartleys.com

Oliver Porter, Research Analyst | +618 9488 1429 | oporter@eurozhartleys.com

Ben Ledger, Associate Research Analyst | +618 9268 2834 | bledger@eurozhartleys.com