

Botanix Pharmaceuticals Ltd

(BOT \$0.067) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Seth Lizee	June 2022	\$0.25/sh

Transformational Acquisition

Event

BOT recently acquired Sofpironium Bromide, a novel dermatology asset.

Sofpironium Bromide gel 15% is the first and only new chemical entity developed to treat primary axillary hyperhidrosis, a medical condition which results in excessive underarm sweating.

The drug has been developed to be a best-in-class, once daily, topically administered therapy.

The acquisition is highly complementary to BOT's existing dermatology pipeline, and consistent with its strategy to be a leading dermatology company.

Key highlights of the asset acquired:

- **Late Stage** – Successfully completed pivotal phase III studies
- **Registration Ready** – FDA fillings this year (2H CY22)
- **De-Risked** – Already approved & launched in Japan with existing partner
- **Significant Market Opportunity** – Worth ~1.6 billion pa, est. 15 million suffers, treatment landscape prime for disruption
- **Attractive Terms** – Minimal upfront payment (US\$3m) with back-ended milestone payments and royalties

Impact

We believe the acquisition is highly value accretive, we conservatively estimate Sofpironium Bromide to be worth ~\$161 million (\$0.15/sh.) to BOT. This is on top of the company's existing dermatology (Acne, Atopic Dermatitis, Rosacea) and antimicrobial pipeline which we value at a further \$113 million (\$0.11/sh.).

Key risks now stand around execution. We view a sale/acquisition or licensing deal as the primary avenue for BOT, with a pathway of going-to-market themselves if that doesn't eventuate, which we note will come with additional funding requirements and execution risks.

Nevertheless, we believe BOT's management team and board of directors are more than capable to execute on all options. The team as a whole has developed, secured approval for, and commercialised over 30 dermatology products.

Action

Speculative Buy, Price Target \$0.25/sh.

If BOT can delivery successful commercial and clinical outcomes, we believe the stock can trade above our Price Target.

Botanix Pharmaceuticals Ltd Year End 30 June

Share Price	0.067	A\$/sh
Price Target	0.25	A\$/sh
Valuation	0.25	A\$/sh

Shares on issue	1043.3m, diluted
Market Capitalisation	69.9 A\$m
Enterprise Value	50.7 A\$m
Debt (Jun'21)	0.0 A\$m
Cash (Pro-forma)	12.2 A\$m
Unpaid cap	7.1 A\$m

Turnover	5.2m	sh/day
12 Mth Hi-Low	0.045-0.19	A\$/sh
Balance date	June 30th	

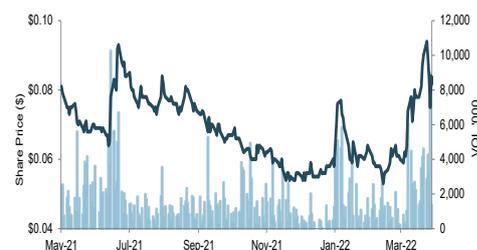
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Vince Ippolito	Exec Chair & President
Matthew Callahan	Executive Director
Dr William Bosch	Executive Director
Dr Stewart Washer	Executive Director
Danny Sharp	NED
Howie Mckibbon	Chief Commercial Officer
Dr Patricia Walker	Chief Medical Adviser
Anthony Robinson	VP of Development
Dr Jack Hoblitzell	SVP of Pharm. Dev.
Dr Ira Lawrence	Clinical & Regulatory Adv.
Dr Clarence Young	Chief Med Adv., Antimicrobials
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Share Price Chart



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Key Catalyst

- BTX1204A (Atopic Dermatitis) Proof of concept results – Q2 CY22
- BTX1801 (Antimicrobial) phase 2b kick off – Q2 CY22
- BTX1702 (Rosacea) phase 1b/2a results – Mid 2022
- NDA Submission (Sofpironium Bromide) – 2H CY22
- FDA Day 74 Review Letter (Sofpironium Bromide) – 2H CY22
- FDA Mid-Cycle Review (Sofpironium Bromide) – 1H CY23
- FDA Approval (Sofpironium Bromide) – 2H CY23

Analysis

We maintain our Speculative Buy recommendation with a \$0.25/sh. Price Target.

We previously upgraded our Valuation and Price Target following BOT's acquisition of Sofpironium bromide. We value BOT per the sum of the parts (SOP) valuation shown below:

Program	Risking %	Risky Valuation (rNPV)	
		A\$m	A\$/sh.
Sofpironium Bromide	85%	161	0.15
BTX1503	27%	73	0.07
BTX1801	23%	32	0.03
BTX1702	6%	5	0.00
BTX1204A	6%	4	0.00
Corporate O/H	100%	-23	-0.02
Net Cash (pro-forma)	100%	12	0.01
Total		263	0.25

Source: EHL estimates

The risks surrounding unsuccessful clinical and commercial outcomes of these programs further drive our Speculative Buy recommendation.

Development Pipeline

INDICATION	PRODUCT	PHASE 1	PHASE 1B	PHASE 2	PHASE 3	APPROVED	STATUS
Axillary Hyperhidrosis (excessive underarm sweating)	Sofpironium Bromide						FDA approval filing planned 2H 2022
Moderate to severe acne	BTX 1503						Phase 3 commencement pending
Rosacea	BTX 1702						Phase 2 study underway – enrollment complete mid 2022
Atopic Dermatitis	BTX 1204A						Canine study complete 2Q 2022
Antimicrobial	BTX 1801						Phase 2 study commencing 2Q 2022

Source: Company presentation

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