

Going with the gut

Anatara Lifesciences (ANR:ASX) has developed and is in the process of trying to commercialise products for gastrointestinal health. The company's lead candidate is Detach®, a non-antibiotic Bromelain-based formulation sourced from the fruit and/or stem of pineapples. While Bromelain has been commercially available since the 1950s, the ANR formulation is said to not contain phthalates, which are potentially toxic. Detach® has been approved by the APVMA as an aid in the control of diarrhoeal diseases in piglets (known as Scour), but formulation adjustments are required for use in weanlings and other animals. ANR is looking to commercialise its patented Bromelain-based formulations from two angles. The first is partnering with offshore leaders in the field who have the funds, know-how and distribution to develop new formulations of Detach® for new animal targets. The second is a human clinical trial of a dietary Over the Counter (OTC) supplement that targets Irritable Bowel Syndrome (IBS) and Inflammatory Bowel Disease (IBD). This study referred to as Gastrointestinal ReProgramming (GaRP) is set to commence late CY20 (delayed due to COVID-19) and will be the focus of the group's current cash resources (\$2.68m as at June 30). ANR is not revenue generating at present so is reliant on equity capital, R&D tax refunds and/or partnership royalties and other government grants for ongoing funding. The last capital raise was in July 2015 at \$0.78/share.

Business model

Given the group's low cash balance ANR is looking to partner with a company or companies to register Detach® in key offshore markets, develop new formulations and administration methods and expand into animal markets outside of piglets (and in particular poultry). The business is currently not revenue generating and will rely on capital raisings, R&D tax refunds and potential royalty/milestone payments from these potential partners for funding.

Recent company commentary

In May 2018, ANR's exclusive international rights for Detach® were returned by then licence partner Zoetis. Since this time ANR has been trying to attract one or more international partners to continue product development. During the initial international licencing process ANR dealt with many of the current potential partners so they should be somewhat familiar. COVID-19 has delayed the GaRP human clinical trials to later in CY20 but there is no impact on partnering discussions. The human trial is expected to be a decentralised trial design, allowing participants to be recruited and participate remotely, increasing the likelihood of retention. For the June 2020 quarter the cash burn rate was ~\$700k, implying ANR has 4-quarters of funding remaining at current burn rates. Total grant income over FY20 was \$841k.

Peers a mixture of animal health and repurposing

The animal health (and in ANR's case a specific focus on piglets) and OTC markets ANR is focused on typically have a lower total addressable market (TAM) than most listed biotechs. Repurposed or long established/off patent drugs such as Bromelain also tend to command a lower value. As a result, the most appropriate peers would be those in animal health and those in early stage trials for repurposed drugs. Companies that come to mind include the likes of Dimerix (DXB:ASX).

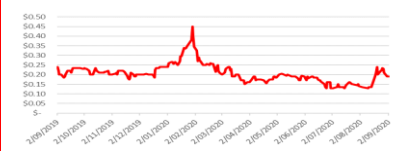
Life sciences

4 September 2020

Share details

ASX Code	ANR
Share price (3-Sep)	\$0.19
Market Capitalisation	\$9.5M
Shares on issue	49.86M
Net cash at 30/06/2020	\$2.68M
Free float	51.5%

Share performance (12 months)



Upside Case

- Secures a partner to further product development in new regions or animal breeds.
- The GaRP OTC clinical trial due to commence Q4CY20 achieves its primary endpoint.
- Poultry challenge trial due to commence Q4CY20 achieves its primary endpoint

Downside Case

- Fails to receive funding injection
- GaRP trial fails primary endpoint
- Fails to achieve offshore partners

Catalysts/upcoming events

- First patient enrolment in GaRP study (Dec-20)
- Poultry challenge trial results due 31 Jan 2021
- Offshore partnering announcement (Q2-Q3FY21)

Comparable companies (Aust/NZ)

Dimerix (ASX:DXB)

Top 5 shareholders

RTL Group Investments	10.83%
Parma Group	10.80%
Myeng Pty Ltd	8.64%
Thorney Technologies	5.59%
Ian Ross	3.21%

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FINANCIAL SERVICES GUIDE

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