Research as a Service

Telix Pharmaceuticals Ltd

A pipeline of prostate, kidney, brain cancer assets

Biotechnology

4 September 2020

Telix Pharmaceuticals (ASX:TLX) owns a portfolio of late stage Molecularly Targeted Radiation (MTR) products together for prostate, kidney and brain cancer, including a commercially available and revenue generating imaging agent for prostate cancer (TLX591-CDx). The company has a three-pronged strategy to generate revenue and create shareholder value. 1) Advance the commercial opportunities of TLX591-CDx via a European Marketing Authorisation Application (submitted) and US FDA NDA (awaiting) to expand the total addressable market of the product. 2) Continue developing the clinical pipeline across prostate cancer (TLX-591 currently entering phase 3), Kidney cancer (TLX250-CDx currently in phase 3 & TLX-250 currently in phase 2) and Brain cancer (TLX101 currently in phase 1), and 3) Continue to invest in the "extended family" of targeted radiation therapies to cement the company's position in the field. TLX has spent $21.9m on R&D activities over the last 12-months ($13.3m 2H19/$8.6m 1H20), with COVID-19 significantly impacting clinical trial programs over the last 6-months with limited access to hospitals and severe travel restrictions (hence the lower R&D spend in 1H20). The company had $23.5m net cash in the bank at June 30 and received an $11.4m R&D incentive in July, providing ~5-quarters of cash runway based on the June quarter cash burn.

Business model

TLX is balancing clinical and commercial activity in order to extract full benefit from its product portfolio. Its prostate imaging product TLX591-CDx is in the early stages of commercialisation with ~1,900 kits sold over 1HFY20 for cash receipts of $2.1m. Clinical trials continue with (7) main programs live as at June 2020. In addition to the clinical trials, R&D is building the company's pipeline or product family. Over the last 12-months a total of $21.9m has been invested in R&D programs supporting the above activities. Like most biotech's TLX will look to partner on a number of clinical programs to validate the technology, reduce costs and achieve milestone/royalty payments. With the group modestly revenue generating at present, funding remains reliant on equity raisings and government R&D incentives.

Recent company commentary

COVID-19 has severely disrupted clinical studies around the world and TLX has been no exception. Travel restrictions and hospital access and related disruption to service providers has paused clinical activities and patient enrolments, however the company recently announced the recommencement of its clinical activities. Spending has been reduced where possible and a hiring freeze is in place to preserve cash. The net cash position at June 30 was $23.5m and the company received an $11.4m R&D incentive in July which represents 5-quarters of cash runway based on the June quarter cash burn of $6.9m. The company does not expect to raise capital for the remainder of CY20.

Few domestic peers with multiple programs & indications

There are few domestic ASX listed peers with a product in commercialisation and multiple late-stage clinical trials across multiple indications. Comparing biotechs across indications and technologies is difficult given varying TAM calculations and trial success probabilities. TLX is taking a US approach to drug development with multiple shots on goal using the same technology, aided by solid equity funding. Mid-cap biotechs likely to be compared to TLX include Avita Therapeutics (ASX:AVH) and Opthea Limited(ASX:OPT).

Historical earnings and ratios

Year end	Revenue (A$m)	EBIT Adj.* (A$m)	NPAT Adj.* (A$m)	R&D Rebate.	EPS Adj.*(c)	EPS Rep.	EV/Sales (x)	EV/EBITDA (x)	P/E (x)
12/18a	0.20	-15.7	-13.7	11.9	nm	nm	nm	nm	nm
12//19a	3.48	-31.1	-26.9	xx.x	nm	nm	110.0	nm	nm

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items

Share details

ASX Code	TLX
Share price (3-Sep)	$1.84
Market Capitalisation	$434.2M
Shares on issue	253.94M
Net cash at 30/06/2020	$23.5M
Free float	71.2%

Share performance (12 months)

Upside Case

- Regulatory approvals, particularly in the US
- Reimbursement coverage & pricing
- Partnering and related milestone payments

Downside Case

- Program delays
- Clinical trial risks/failure to meet endpoints
- Access to funding

Catalysts/upcoming events

Q3 and Q4 results (Oct 2020 and Jan 2021)

Approvals in Europe and US for TLX591-CX

Comparable companies (Aust/NZ)

Avita Therapeutics (ASX:AVH), Opthea Limited (ASX:OPT)

Top 5 shareholders

HSBC Custody Nominees (Australia) Ltd	12.79%
Gnosis Verwal Tungsgesellschaft MBH	9.72%
Elk River Holdings Pty Ltd	9.72%
BNP Paribas Noms Pty Ltd	3.99%
JP Morgan Nominees Australia Pty Ltd	2.74%

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FINANCIAL SERVICES GUIDE

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