

Zelira Therapeutics Ltd

Delivering relief from insomnia, pain and autism

Zelira Therapeutics is a therapeutic medical cannabis company focused on developing branded medicinal products derived from cannabinoids for the treatment of several medical conditions including insomnia, chronic non-cancer pain and autism spectrum disorder. In October 2019, the company, then called Zelda Therapeutics, announced a merger with privately held, US-based Ilera Therapeutics, giving the company direct access to the US and delivering revenues from Ilera's proprietary cannabis formulations under the HOPE™ brand. The Australian company delivered access to the Australian, German and UK markets for the HOPE brand. The company has recently completed an oversubscribed \$8.75m share placement to domestic and US institutions and sophisticated investors at \$0.05/share. Zelira plans to use the proceeds to accelerate the launch of five products into global markets in CY20.

Business model

The HOPE™ brand has two proprietary formulations, HOPE™ 1 & 2 for autism sufferers, that are generating revenues in Pennsylvania in the US and have been recently licensed in Louisiana with the company expecting other states in the US to follow. Under its licencing deals, Zelira receives an up-front payment and ongoing royalties. Zelira has also developed Zenivol™, a cannabinoid-based medicine for the treatment of chronic insomnia which has recently successfully completed a Phase 2a clinical trial. The company has flagged plans to launch at least five products into new markets over the next 12 months, including HOPE™ and Zenivol™ which Zelira has slated as on track for launch in Q3 CY20. In May, Zelira entered into a three-year exclusive agreement with Tasmanian Alkaloids (TasAlk) to supply Zenivol™ and HOPE™ to markets in the Asia-Pacific. The company has also entered into a non-binding heads of agreement with Melbourne-based medicinal cannabis company Levin Growing to develop a novel cannabinoid-based treatment for sports related chronic pain. Levin will fund the trial which is expected to commence in 2020. The company also works closely with universities and research institutes including Perth's Curtin University, the Telethon Kids Institute in Perth, University of Western Australia, St Vincent's Hospital in Melbourne and the Children's Hospital of Philadelphia in the US.

Recent company commentary

Zelira reported a 34% lift in FY20 revenues to \$1.03m and a net loss of \$7.0m, a 97% increase on the loss posted in FY19. Net cash outflow from operating activities for the year was \$6.94m not inclusive of the \$1.03m received from the R&D rebate. Post balance date, the company completed an oversubscribed \$8.75m share placement (before costs) at \$0.05/share to Australian and US institutions and sophisticated investors. Post raise, the company has a net cash position of ~\$10m, which based on the June quarter cash burn, should be sufficient to sustain the company for at least five quarters.

Trading in line with its peers

Australian investors are spoiled for choice for investment in cannabinoid stocks and we have listed eight that are similar in market capitalisation and stage to Zelira. At the current EV/Sales multiple, Zelira is trading in line with its peers.

Historical earnings and ratios

Year end	Revenue (A\$m)	EBITDA Adj.* (A\$m)	NPAT Adj.* (A\$m)	NPAT Rep.	EPS Adj.*(c)	EPS Rep. (c)	^EV/Sales (x)
06/17a	0.10	(1.57)	(1.57)	(6.16)	(0.32)	(1.24)	479.7
06/18a	0.96	(1.69)	(1.69)	(1.73)	(0.22)	(0.22)	64.9
06/19a	0.77	(2.92)	(2.92)	(3.57)	(0.39)	(0.47)	35.3
06//20a	1.03	(6.09)	(6.37)	(7.02)	(0.75)	(0.83)	48.9

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

Biotech and Medical Research

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Share details

ASX Code	ZLD
Share price (3-Sep)	\$0.06
Market Capitalisation	\$67.3M
Shares on issue post raise	1,141M
Net cash post raise	~\$10M
Free float	52.2%

Share performance (12 months)



Upside Case

- Strong tertiary relationships with WA and US universities
- Launch of new products should deliver revenues
- Branded presence in US, Australia and UK

Downside Case

- Crowded investment market for cannabis stocks
- Highly regulated sector
- Path to revenues delayed

Catalysts/upcoming events

- Successful launch of products into new markets
- Interim results FY21

Comparable companies (Aust/NZ)

Althea Group (ASX:AGH), Auscann (ASX:AC8) Botanix Pharma (ASX:BOT), Cann Group (ASX:CA) Incannex Healthcare (ASX:IHL), Little Green Pharma (ASX:LGP), MGC Pharmaceutical (ASX:MXC), The Global Group (ASX:THC)

Top 5 shareholders *founders

Sunset Capital Mgmt (Jason Peterson*)	6.53%
Gemelli Family (Harry Karelis*)	4.34%
Mara Gordon*	3.86%
Stewart Washer (former director)	3.08%
Merchant Funds Management Pty Ltd	1.54%

Company contacts

Dr Richard Hopkins +61 405 656 868
(MD&CEO, ex USA)
rhopkins@zeliratx.com

RaaS Advisory contacts

Finola Burke +61 414 354 712
finola.burke@raasgroup.com



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RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

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Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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