

Anatara Lifesciences (ANR)

Proven natural medicine for gut health

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KEY POINTS

- 30 years of development for ANR's Detach™ delivers a better diarrhea solution than antibiotics for pigs, other animals and possibly humans.
- We initiate coverage because ANR is set for a significant commercial re-launch in CY'18 with strong internal team and platform, and globally significant partners (including possibly Zoetis, #1 global animal health company).
- This natural treatment becomes a "back to the future" drug because of proven performance at commercial scale in Australia in 1990's with Ciba Geigy.
- We initiate with a Buy and Price Target of \$1.36/share.

Moving towards control of destiny

Emerging – *transformational non-sticking gut wall.*

ANR's Chief Scientific Officer (Dr Tracey Mynott) was part of Victorian University team that developed Detach™ from "throw away" pineapple base 30 years ago. After Detach™ was proven to improve pig gut health and reduce diarrhea (called scour) Ciba-Geigy bought the rights and started selling to Australian pig farmers in 1990. They lost momentum in early 1990's when Ciba-Geigy closed parts of animal health and sold division.

ANR's CSO and Chairman (Dr Mel Bridges) bought back the rights and used technical experience gained from Tracey's US university research and Mel's biotech commercial skills to improve targeting of gut health in pigs and humans.

Focused – taking antibiotics out of animal feed chain and improve human gut treatment. ANR aims for first commercial sales of Detach™ drench for Australian suckers (young pigs) with gut health issues in early CY'18. ANR is part of Australian pig R&D groups, and is well known to Ridley animal feed, APIAM regional vet & major customers.

Zoetis (ZTS.NYSE MCap US\$27bn, #1 animal health company), is coming to end of its 12-18 month evaluation period for global distribution partnering of Detach™ for pigs and other non-domestic animals.

Capital – \$8.7m from pre IPO and IPO in 2014, and \$7m funds raised in 2015. With \$12m cash and strong technical support ANR, has choice of formalising global partnership with Zoetis, or pursuing a commercial path with other global animal health or other pig supply chain partners.

INVESTMENT VIEW – Buy & PT \$1.36/share

We believe ANR will attract support from Zoetis and APVMA approval because Detach™ is an improved version of 1990's commercial version. The key issues are rate of adoption in pig supply chain, and application to other animals and humans. We assume fast take-up for high quality EU/China pork from 2019, and "over the counter" with modest health claims to humans from 2021.

RECOMMENDATION

Buy

	Initiation Report
Risk Rating	Very High
Current Share Price	\$0.98
12 Month Price Target	\$1.36
Price Target Methodology	15% discounted FY'20 to FY'17 dollars and EV/EBITDA 20x
Total Return (Capital)	39%
DCF Valuation	\$2.05
Market capitalisation	\$48m
Liquidity – Daily Value	\$0.03m

Financial Forecasts & Valuation Metrics

Y/e (\$m)	17F	18F	19 F	20F
Revenue	1.0	2.8	5.1	10.5
EBITDA	(3.4)	(1.2)	0.4	4.2
NPAT	(2.9)	(0.6)	0.5	3.2
EPS (cps)	(5.6)	(1.2)	1.0	6.2
DPS (c)	0.0	0.0	0.0	0.0
EV / EBITDA (x)			91.3x	7.5x
PER (x)			184.7x	7.9x
Dividend Yield	0.0%	0.0%	0.0%	0.0%
Gearing	(106)%	(105)%	(103)%	(107)%
Net cash	11.5	11.7	12.3	16.9

Source: PAC Partners estimates

ANR Milestones & Risks

4QCY17 – Zoetis may formalise Detach™ global distribution for animals

After 12-18 months of evaluation, Zoetis may enable it to reach global ex-Australia agreement.

4QCY17 – Detach™ regulatory approval for commercial sales to pigs in Australia

APVMA approval should enable ANR to make sales into 2018 Australian Winter season (April to September).

RISKS:

- Regulatory approval of Detach™ & partnering decisions.
- Outside of Europe, and possibly China, there is little regulatory push for removal of antibiotics.
- Lumpy milestone payments to keep cash reserves above \$5m until Detach™ sales are significant (from say FY19).
- Trade secret protection is strong. Patents are early stage.
- Key ANR people need to be retained.

Source: PAC Partners estimates

TABLE OF CONTENTS

Table of Contents	2
Summary Swot	2
Executive Summary.....	3
Thirty years of building platform with partners	3
cash flow inflection...EBITDA FY'18F (\$1.2m), FY'19F \$0.4m.....	3
peer company performance.....	4
investment view – buy and PT \$1.36/share (39% upside to Share Price)	4
Company Overview	5
Thirty years of building platform with partners	5
cash flow inflection...EBITDA FY'18F (\$1.2m), FY'19F \$0.4m.....	5
Peer Group, EV/EBITDA	8
big five Animal health control 90% of market.....	8
Sales and EBITDA Bridge	10
Investment view and valuation	11
Risks	13
Financial Model.....	14
Contact Information	16
Recommendation Criteria.....	16

SUMMARY SWOT

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • 30 years of focused development, led mainly by founder Tracey Mynott (CSO) with many technology owners • Proven performance at commercial scale in Australia in early 1990's with Ciba Geigy • People & Partners: Executive team and Board come from strong ASX listed biotech companies (Tissue Therapies, Benitec, Alchemia, ImpediMed,) and long term evaluation by potential industry partners (Zoetis #1 animal health, large Australian/Chinese pig corporations) 	<ul style="list-style-type: none"> • Quality assurance and Occupational Health & Safety will be tested during this high growth phase, especially with stop/start nature of regulatory and distribution changes • Small scale at start and earnings may be volatile. ANR is dependent on lumpy milestones to grow cash reserves • Inventory management is challenging at start-up phase and some risk falls on ANR despite distribution arrangements
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Chinese piglet market 970m are born each year, 200x the Australian market size. Europe with 150m piglet per year is also attractive market with the tightest regulation around using antibiotics. • Multiple doses as pig grows to weaner and older may benefit from Detach™ addition to feed, because it again removes antibiotic and potentially ZnO from food chain • Other animal and human applications with natural solution for single stomach animals and humans 	<ul style="list-style-type: none"> • Regulatory approval of Detach™ is not guaranteed although an earlier version was approved in 1990's. • Outside of Europe, and possibly China, there is little regulatory push for removal of antibiotics. China may drag feet with banning antibiotics, USA and Australia may follow. • Partners ANR is reliant on Zoetis to fast track ex-Australian commercial applications, but has many other options with big five animal health and customers.

Executive Summary

THIRTY YEARS OF BUILDING PLATFORM WITH PARTNERS

Tracey Mynott (CSO)
has driving force ...

ANR's CSO, Dr Tracey Mynott, was part of Victorian University team that developed Detach™ from "throw away" pineapple base 30 years ago for pig diarrhea treatment.

...and Mel Bridges (Chairman) commercial

Chairman, Dr Mel Bridges, and Tracey bought back the technology rights, and listed ANR on ASX in 2014. Together they have built platform with eight full time staff and strong partners across pig and human supply chain. (This report focuses on pigs and later reports will detail other applications.)

ANR in a chart

ANR				
Method	Pig Sucker & Weaner	Pig Weaner	Other Animal	Human
Distribution Partner				
ROW				
EU	Zoetis - Potential Distribution Partner (aim to formalise 3Q'CY17)			
Asia			(ANR retain aquaculture and companion animal)	To be partnered
Australia				
Route to market	Vets & Companies	Feed & Companies		"Over the counter with gut health claim"
Distributor	ANR			To be determined
Clinical trial status	APVMA dossier - Handed in 3 Oct 2016 - Decision due 3QCY17	Safety done with suckers Treated as food additive Pig has choice to eat Formal register only	Zoetis may have done some preliminary trials with pigs & other	Pig trials are pre-clinical Food additive passes safety

Source: Company reports and PAC Partners estimates

CASH FLOW INFLECTION...EBITDA FY'18F (\$1.2M), FY'19F \$0.4M

Positive trend in cash flow through FY'18F...

FY'18 is a year of transition for ANR. There are potential first commercial sales of Detach™ in Australia after 4QCY'17 regulator (APVMA) approval.

...and FY'19F should deliver positive EBITDA

We estimate FY'18F will deliver \$2.2m improvement in EBITDA to -\$1.2m, and positive EBITDA in FY'19F of \$0.4m.

ANR – Financial Forecasts

In short and medium term cash flow we have assumed just pig sucker (new born) preventative applications...

	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F
Revenue (\$m)	1.0	2.8	5.1	10.5	18.9	22.1
Pig doses (number)		500,000	5,000,000	15,000,000	30,000,000	33,000,000
Human doses (number)					50,000	500,000
EBITDA	(3.4)	(1.2)	0.4	4.2	10.2	12.2

Source: PAC Partners estimates

...and add one human application from 2021 for over the counter travel diarrhea

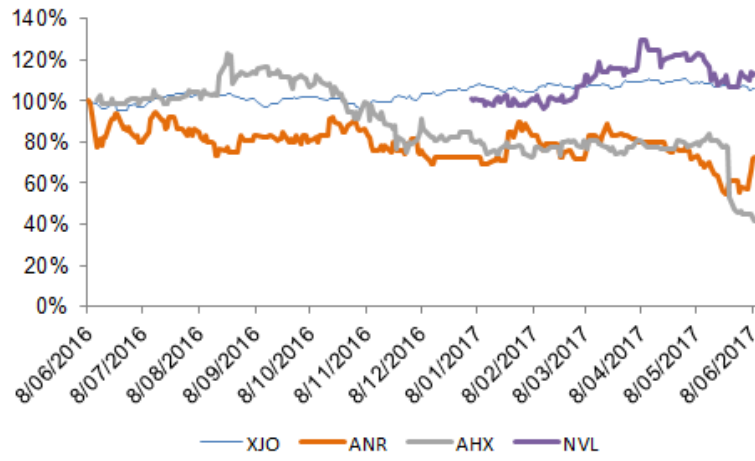
PEER COMPANY PERFORMANCE

Small scale vet practices trade at 11x EV/EBITDA

Small capital Australian animal health players are restricted to two veterinary practices Apiam (AHX) with 32 regional Australian clinics and MCap \$63m; and, National Veterinary Care (NVL) with 66 clinics across Australian and New Zealand with MCap \$128m. Both at ~11x FY'17F EV/EBITDA.

NVL has traded in line with ASX since listing late last year. AHX had some disappointment this month with restructuring expenses exceeding expectations. Greencross (GXL), a midcap at Mcap \$640m has shown what is possible with large scale veterinary practice.

Australian animal health ANR, AHX, NVL vs ASX200 over last year



Underlying demand for vet practice stays strong...

... with two small listed small caps (AHX, NVL) and midcap Greencross (GXL)

ANR is only listed Australian biotech with focus on animal health

Source: Iress

INVESTMENT VIEW – BUY AND PT \$1.36/SHARE (39% UPSIDE TO SHARE PRICE)

High risk rating relies on...

We rate ANR a Buy with High Risk and 12 Month Price Target of \$1.36/share, and DCF of \$2.03/share.

...4QCY17 APVMA approval

This approval should be obtained by 4QCY'17. APVMA received ANR's complete dossier in October 2016, and 12 to 15 months is the usual time line before a final decision.

2020 EBITDA of \$4.2m...

Our 12 Month Price Target of \$1.36/share is built in the following way:

...discount at 15%...

- We estimate ANR's FY'20 EBITDA of \$4.2m with Detach™
- We discount 2020 EBITDA at 15% per annum to give \$2.8m in 2017 dollars.
- We estimate ANR can trade at a 25% EV/EBITDA premium to Zoetis (16x becomes 20x).
- Check. 20x EV/EBITDA multiple is similar to local biotechs with \$3m to \$8m EBITDA

...with EV/EBITDA 20x...

...to give \$1.36/share 12 month price target

Animal health and biotech peers – EV/EBITDA and 12 Month Price Target

Zoetis FY17 EV/EBITDA is 16.8x

	Market Capital (A\$m)	EV (A\$m)	FY17 EBITDA (A\$m)	EV//EBITDA
Global Animal Health				
Zoetis Inc. (NYSE:ZTS)	40,767	45,874	2,734	16.8
Local biotech with EBITDA				
Viralytics Limited (ASX:VLA)	252.7	213.1	3.5	61.8
CogState Limited (ASX:CGS)	136.9	125.7	3.5	35.9
Ellex Medical Lasers Limited (ASX:ELX)	124.8	121.3	7.94	15.3
Local veterinary practice platforms				
National Veterinary Care Limited (ASX:NVL)	127.5	156.6	13.7	11.4
Apiam Animal Health Limited (ASX:AHX)	62.7	84.6	7.96	10.6
Anatara (ASX.ANR) - 2017	52	40	-3.4	
Anatara - 2020			4.2	
in 2017 \$'s at 15% WACC	67	55	2.8	20.0
\$/share	1.36			

Local biotechs with \$3m to \$8m EBITDA have multiples from 15x to 62x with average ~20x

Source: CapIQ, ANR is PAC Partners estimates

Company Overview

THIRTY YEARS OF BUILDING PLATFORM WITH PARTNERS

Tracey Mynott (CSO) has been major driving force of technology for 30 years...

ANR's Chief Scientific Officer (Dr Tracey Mynott) was part of Victorian University team developed Detach™ from "throw away" pineapple base 30 years ago. After Detach™ was proven to improve pig gut health and reduce diarrhea (called scour) Ciba-Geigy bought the rights and started selling to Australian pig farmers in ~1990. They lost momentum in early 1990's when Ciba-Geigy closed parts of animal health and became Novartis.

...and Mel Bridges (Chairman) has added commercial platform

Chairman, Dr Mel Bridges, and Tracey bought back the rights to Detach™, and used technical experience gained from Tracey's US university research and Chairman's biotech commercial skills to improve targeting of gut health in pigs and humans. ANR listed on ASX in 2014.

Australian regulator decision due 4QCY'17

ANR now has a considerable dossier of trials with safety and efficacy data and has filed for two patents* for the "transformational non-sticking gut wall" ability of Detach™. ANR's official dossier for Australian animal regulator (APVMA) was handed in during October 2016, and decision due in 4QCY'17. *The original Detach™ patent has expired and ANR has satisfied initial tests for significant difference.

ANR in a chart

ANR				
	Pig Sucker & Weaner	Pig Weaner	Other Animal	Human
Method	"Drench"	"Feed Supplement"		To be determined
Distribution Partner ROW	Zoetis - Potential Distribution Partner (aim to formalise 3Q'CY17) <small>(ANR retain aquaculture and companion animal)</small>			To be partnered
Australia Route to market	Vets & Companies	Feed & Companies		"Over the counter with gut health claim"
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Source: Company Reports & PAC Partners

First sales are likely for Australian suckers in early CY'18...

ANR aims for first commercial sales of Detach™ drench for Australian suckers (young pigs) with gut health issues in early CY'18. ANR is part of Australian pig R&D groups, and is well known to Ridley animal feed, APIAM regional vet & major customers.

...and Zoetis is due to decide on global distribution by 4QCY'17

Zoetis (ZTS.NYSE MCap US\$27bn, #1 animal health company), is coming to end of its 12-18 month evaluation period for potential global distribution of Detach™ with pigs and other non-domestic animals. We estimate a decision will be made by 4QCY'17.

ANR is well funded with \$12m cash and potential milestone payments

ANR raised \$8.7m from pre IPO and IPO in 2014, and \$7m funds raised in 2015. With \$12m cash and strong technical support ANR has choice of formalising global partnership with Zoetis, or pursuing a commercial path with other global animal health or other pig supply chain partners.

CASH FLOW INFLECTION...EBITDA FY'18F (\$1.2M), FY'19F \$0.4M

Positive trend in cash flow through FY'18F...

FY'18 is a year of transition for ANR as it launches its first commercial sales of Detach™ in Australia after 4QCY'17 APVMA approval.

...and FY'19F should deliver positive EBITDA

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We assume 40% m/share in Aust. in 2nd

500k drench dosings for Australia in FY'18 and 1,900k FY'19 with market shares of 10% and 40%.

year

ANR's initial pig market – Just suckers in Australia and early adopters EU/China/SE Asia (m)

Pork is #1 land based protein...

...with 1.6bn suckers born each year

We estimate an early adopting market with drivers that suit ANR's Detach™ ...

...which is 240x the size of Australian market

	Total	Home market	Early Adopters	% Total	Comment
Years	2016	2018-2020	2019-2022		
China	968		50	5%	Export/HK market
EU	148		50	34%	Strong antibiotic legislation
SE Asia	144		20	14%	Close to Australia, expatriate
USA	120				
Brazil	33				
Japan	33				
Mexico	18				
Russia	16				
Canada	15				
South Korea	9				
Ukraine	7				
Australia	5	5			
Other	84				
Total	1600	5	120		

Source: ANR, FAO and PAC Partners estimates

Large dosings in early years probable ...

Early adopters of Detach™ in Europe, China and SE Asia will be driven by regulations restricting antibiotic use (EU) and customer preference (China/HK/SE Asia). We assume 3% market share in FY'19 the first year of commercial sales (3,000k /annum dosings).

...with 5-10 players in controlling 50% of each market, and looking for differentiation

In Australia and China the big 5-10 pig companies control over 50% of the pigs. Therefore the big lifts in market share in Australia to 40% can be driven by just three customers. In China just a handful of customers can lead to 10% country market share, which gives 3% market share across all EU/China/SE Asia. Many of these large players are looking for the “natural” differentiation in order to have multiple types of pork on shelf.

Australian Pork Industry Supply Chain

40% of Australian industry controlled by three players

PRODUCERS	
Riverlea	
SunPork	40%
Otway Pork	
Mid Sized	50%
Niche	10%

FEED	
Feedmills	% Market Share
Vertical Integrated	50%
Ridley	20%
CopPrice	10%

BASIC ANIMAL HEALTH - Drench	
Rural Services	% Market Share
Elders	30%
Ruralco	30%
Landmark	30%
Others	10%

PRESCRIPTION ANIMAL HEALTH	
Vets	% Market Share
APIAM	35%
Others	65%

Source: PAC Partners estimates

Detach™ can now be preventative drench vs. reactive medicine...

The key difference in this roll-out assumption vs. the 1990's is that ANR becomes the preventative drench for all suckers at the pig farm, not just reactive treatment the sick suckers with scouring. Both top out at 40% market share in Australia (FY'19). We assume 26% in early adopters of EU/China by FY'22, which is Equivalent to 2.7% of the suckers across EU and China.

...with natural source...

Current antibiotic treatment cost around \$10/sucker for materials and syringe, and we assume Detach™ treatment is significantly lower.

...and lower cost

The lower cost and natural ingredient Detach™ vs. antibiotic should enable Detach™ to become a preventative disease and gut health treatment of suckers. Our desk top search has not found any natural competitor to Detach(TM) with commercial launch in short term.

We just select one new application in long term (human) from many alternatives...

We have not considered the potential applications of Detach™ to older pigs (weaners, adult pigs), other single gut animals (chickens) or humans in the short and medium term. From 2021 we see applications across both markets assuming success of Detach™ with suckers.

Pig farmers should see the success with suckers, and use Detach™ addition to animal feed. Drenching is not practical and costly with pigs post the sucker phase.

Both pig applications are perfect animal study for “similar” gut humans. In fact most gut drugs tested for humans use pigs for animal study.

... and go to 50/50 pig/human revenue from 2025...

We assume human application is commercial from 2021, and 50/50 split of revenue with pig/human from 2025. There is significant unmet need with preventative approach for diarrhea and willingness of travellers to use natural medicine like Detach™

...and standard 3% growth from 2026

There are no hockey sticks in growth post 2025 that prop up our long term valuation. Terminal growth post 2025 is our standard 3% per annum.

Peer Group, EV/EBITDA

BIG FIVE ANIMAL HEALTH CONTROL 90% OF MARKET

The top five Animal Health companies control 90% of the market (Ref: fiercepharma.com).

Human pharma and animal health have specialised

Animal Health company's scale are put in shade with human pharma companies holding 35 of the top 40 places. Many of the big five Animal Health companies have combined divisions spun out from focused human pharma companies.

Top 40 Listed Pharmaceutical Companies by Market Capital – Animal Health leaders in purple

COMPANY	TOTAL			
	Market Capital (A\$m)	EV (A\$m)	FY17 EBITDA (A\$m)	EV/EBITDA
Johnson & Johnson (NYSE:JNJ)	470,217	461,411	36,265	12.7
Roche Holding AG (SWX:ROG)	289,895	311,414	28,882	10.8
Pfizer Inc. (NYSE:PFE)	259,536	299,151	29,536	10.1
Novartis AG (SWX:NOVN)	253,997	285,717	18,829	15.2
Merck & Co., Inc. (NYSE:MRK)	233,725	251,656	21,704	11.6
Amgen Inc. (NasdaqGS:AMGN)	160,114	154,400	17,987	8.6
Medtronic plc (NYSE:MDT)	157,158	183,508	13,283	13.8
Sanofi (ENXTPA:SAN)	155,850	168,390	16,328	10.3
Boehringer Ingelheim (Private)	Combined Animal Health into BI in 2016			
AbbVie Inc. (NYSE:ABBV)	147,152	188,367	17,374	10.8
Bayer Aktiengesellschaft (DB:BAYN)	145,900	164,228	18,412	8.9
Novo Nordisk A/S (CPSE:NOVO B)	140,941	137,516	10,712	12.8
GlaxoSmithKline plc (LSE:GSK)	139,337	169,124	17,233	9.8
Celgene Corporation (NasdaqGS:CELG)	122,472	129,670	10,466	12.4
Bristol-Myers Squibb Company (NYSE:BMJ)	117,514	120,757	7,873	15.3
AstraZeneca PLC (LSE:AZN)	114,184	135,296	9,625	14.1
Eli Lilly and Company (NYSE:LLY)	113,134	122,165	8,567	14.3
Gilead Sciences, Inc. (NasdaqGS:GILD)	112,200	128,243	20,370	6.3
Abbott Laboratories (NYSE:ABT)	108,903	129,328	9,755	13.3
Allergan plc (NYSE:AGN)	103,570	140,381	10,598	13.2
Thermo Fisher Scientific Inc. (NYSE:TMO)	90,822	112,683	6,796	16.6
Danaher Corporation (NYSE:DHR)	77,829	92,629	5,692	16.3
Biogen Inc. (NasdaqGS:BIIB)	73,676	78,484	8,361	9.4
Stryker Corporation (NYSE:SYK)	70,371	75,537	4,696	16.1
Regeneron Pharmaceuticals, Inc. (NasdaqGS:REGN)	66,765	65,970	2,371	27.8
Shire plc (LSE:SHP)	66,188	96,121	8,717	11.0
Aetna Inc. (NYSE:AET)	65,937	73,400	7,573	9.7
Anthem, Inc. (NYSE:ANTM)	65,733	81,132	7,256	11.2
Fresenius SE & Co. KGaA (DB:FRE)	63,852	104,139	9,856	10.6
CSL Limited (ASX:CSL)	61,287	64,937	2,986	21.7
Becton, Dickinson and Company (NYSE:BDX)	57,930	70,865	4,593	15.4
Cigna Corporation (NYSE:CI)	56,651	57,536	6,084	9.5
Takeda Pharmaceutical Company Limited (TSE:4502)	52,226	62,105	4,524	13.7
Boston Scientific Corporation (NYSE:BSX)	50,558	57,669	3,393	17.0
Express Scripts Holding Company (NasdaqGS:ESRX)	48,371	64,788	9,954	6.5
McKesson Corporation (NYSE:MCK)	45,731	55,375	5,824	9.5
Intuitive Surgical, Inc. (NasdaqGS:ISRG)	44,801	42,857	1,448	29.6
Humana Inc. (NYSE:HUM)	43,990	40,013	4,753	8.4
Baxter International Inc. (NYSE:BAX)	42,504	42,395	3,122	13.6
Zoetis Inc. (NYSE:ZTS)	40,767	45,874	2,734	16.8
Teva Pharmaceutical Industries Limited (NYSE:TEVA)	40,747	92,607	10,174	9.1
Average				13.0

Source: Company reports, PAC Partners. CAN area is post Northern Facility (CY18) and costs are FY19

ANR is a scout for animal health innovation

Emerging companies in animal health like ANR have become scouts for innovative products and delivery mechanisms. The large global companies are mainly late stage clinical trial managers, manufacturers, and distributors.

\$30m clinical trial bill usually means major is required...

Animal health drugs like Detach™ take \$20m to \$30m clinical trials for approval. Approximately \$15m to \$20m has been spent across the two Detach™ approval processes to date, with Australian

approval decision for improved Detach™ is due in 4QCY'17.

...but ANR has managed to control process with 30 year stop/start nature of Detach™ development

It is impressive that ANR has retained 100% control of the process to date. The team has: made use of: the stop start nature of development and use in 1990's with others pay for clinical trials and R&D; improvements over the 20 year hiatus by added missing links with parallel research; and, focus on Australian pig industry with addition of key partners.

Global Animal Health Companies – Top Five

Only two with animal health more than 25% of sales...

...the rest focus much more on human applications

	Mcap (A\$m)	Animal Health Division			
		Revenue	EBITDA	EBITDA / Revenue%	% Company Revenue
Zoetis Inc. (NYSE:ZTS)	40,767	6,447	1734	27%	99.3%
Boehringer Ingelheim (Private)	Private	6,000	1200	20%	25.3%
Merck & Co., Inc. (NYSE:MRK)	233,725	4,576	2153	47%	8.8%
Eli Lilly and Company (NYSE:LLY)	113,134	4,155	873	21%	14.7%
Bayer Aktiengesellschaft (DB:BAYN)	145,900	2,269	511	23%	3.4%
Average				27%	30%

Zoetis is ideal animal partner...

...human can done by another

ANR's potential global distribution partner, Zoetis (ZTS.NYSE MCap US\$27bn, #1 animal health company) is ideal for ANR due to its size and reach across pig and other animal health. Zoetis has negligible sales for human health applications. This allows ANR to have a clean slate for human partnering.

It is difficult to find local peers for ANR because most Australian biotech companies focus on human pharmaceutical applications. The two midcap animal vet companies, NVL and AHX, provide loose comparisons. They mainly associated with management fees and drug distribution margins. AHX is mainly in regions, and supplies 35% of drugs to pig market

ANR peers on ASX

Three animal health companies on ASX between \$50m and \$250m MCap...

...two animal vet companies...

..and ANR

Most biotech companies are still in losses for FY17 EBITDA

	Mcap (\$m)	Cash/(Net Debt) (\$m)	EV (\$m)	FY'17 EBITDA (\$m)
Viralytics Limited (ASX:VLA)	253	40	213	3.5
Starpharma Holdings Limited (ASX:SPL)	253	36	216	(5.5)
AFT Pharmaceuticals Limited (NZSE:AFT)	209	(16)	225	(1.9)
SomnoMed Limited (ASX:SOM)	193	17	175	(1.4)
Bionomics Limited (ASX:BNO)	193	22	171	(5.6)
Opthea Limited (ASX:OPT)	162	13	149	(10.3)
CogState Limited (ASX:CGS)	137	11	126	3.5
TPI Enterprises Limited (ASX:TPE)	132	(27)	159	(1.3)
National Veterinary Care Limited (ASX:NVL)	128	(29)	157	13.7
Ellex Medical Lasers Limited (ASX:ELX)	125	4	121	7.9
Neuren Pharmaceuticals Limited (ASX:NEU)	114	5	109	14.5
Polynovo Limited (ASX:PNV)	107	10	97	(2.5)
Osprey Medical, Inc. (ASX:OSP)	98	30	68	(14.6)
Admedus Limited (ASX:AHZ)	71	13	58	(10.9)
Prima Biomed Ltd. (ASX:PRR)	65	11	53	(10.6)
Apiam Animal Health Limited (ASX:AHX)	63	(22)	85	8.0
Volpara Health Technologies (ASX:VHT)	60	12	49	(8.4)
CANN Group Limited (ASX:CAN)	55	0	54	(0.2)
Avita Medical Limited (ASX:AVH)	54	8	46	(10.0)
dorsaVi Ltd (ASX:DVL)	53	9	44	(4.0)
Anatara (ASX:ANR)	48	8	40	(3.4)
Cynata Therapeutics Limited (ASX:CYP)	50	4	47	(9.3)

Source: Company reports and PAC Partners estimates

Sales and EBITDA Bridge

Positive trend in cash flow through FY'18F...

FY'18 is a year of transition for ANR as it launches its first commercial sales of Detach™ in Australia after 4QCY'17 APVMA approval.

We estimate FY'18F will deliver \$2.2m improvement in EBITDA to -\$1.2m, and set up ANR for positive EBITDA in FY'19F of \$0.4m.

We see 500k drench dosings for Australia in FY'18 and 1,900k in FY'19 with market shares of 10% and 40% respectively.

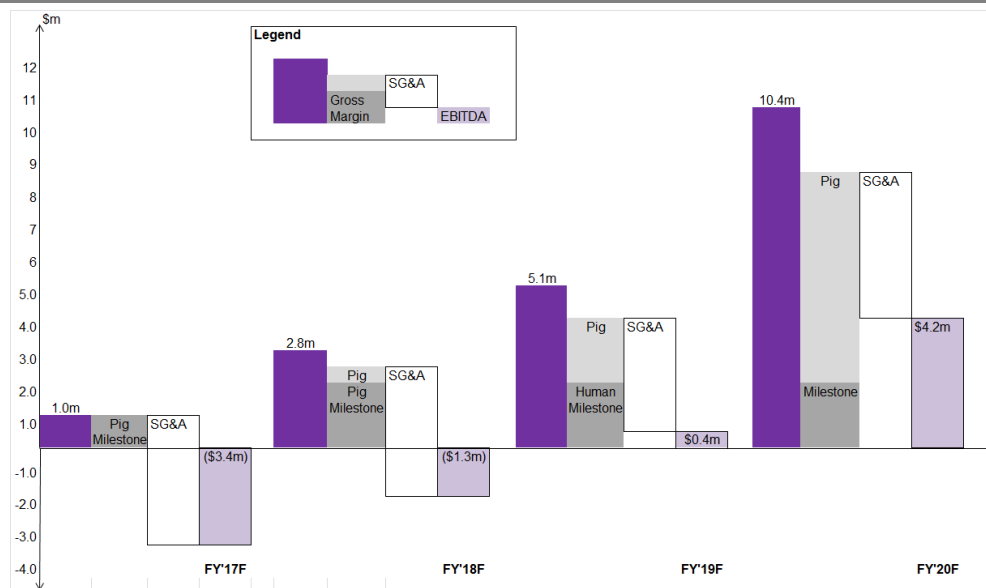
...and FY'19F should deliver positive EBITDA...

...with 40% pig sucker market share in Australia in 2nd year (FY'19)...

...start of sales into EU/Asia...

...and \$2.5m human application milestone in FY'19 with partner selection contributes to positive cash flow

EBITDA Bridge – FY'17F to FY'20F (\$m)



Source: Company reports and PAC Partners estimates

ANR – Financial Forecasts...

Dose numbers of 30million by 2021 appear very big

Market shares of 26% in early adopting parts of EU and China assume ANR captures one of four slots with premium pork...

...which is just 2.7% of all piglets in EU/China

At standard 0.15gram per dose...

...this equates to 5tonne (or 5 m3) of active ingredient...

...an achievable small scale operation

	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F
Revenue (\$m)	1.0	2.8	5.1	10.5	18.9	22.1
Milestone (\$m)	1.0	2.5	2.5	2.5	2.5	2.5
Operations (\$m)	0.0	0.3	2.6	8.0	16.4	19.6
Growth pcp			866%	308%	205%	20%
Pig doses (#)		500,000	5,000,000	15,000,000	30,000,000	33,000,000
M/share – Aust.(%)		10%	40%	40%	40%	40%
M/share – Early EU/Asia		0%	3%	11%	23%	26%
Price (\$/does)	0.50	0.51	0.52	0.53	0.54	0.55
Human doses (number)					50,000	500,000
Price (\$/does)	2.50	2.55	2.60	2.65	2.71	2.76
EBITDA	(3.4)	(1.2)	0.4	4.2	10.2	12.2
Growth pcp				965%	143%	19%
EBITDA per dose (\$/dose)		(2.47)	0.08	0.28	0.34	0.36

Source: PAC Partners estimates

Investment view and valuation

High risk rating relies on...

...4QCY17 APVMA approval

We are confident ANR will attain approval due to...

...1990's successful launch in Australia...

...better knowledge of Detach™ action...

...and consumer preference for less antibiotics

We rate ANR a Buy with High Risk and 12 Month Price Target of \$1.36/share, and long term DCF valuation of \$2.03/share.

Australian regulatory approval should be obtained by 4QCY'17. APVMA received ANR's complete dossier in October 2016, and ~12-15 months is the usual time line before a final decision.

In our view ANR would become speculative, higher risk, if APVMA approval was not granted.

We assume ANR obtains APVMA approval because:

- Detach™ is an improved version of 1990's commercial Detach™ which reached 40% market share in Australia;
- More is known about the "anti-sticking to gut wall ability" of enzymes within Detach™. This proof of action should resonate well with: APVMA; veterinarians; pig producers; and, other key opinion leaders.
- Conscious consumers would prefer fewer antibiotics in the food chain. While Australian and other regulators do not ban use of antibiotics, they can see benefits of restricting their use.

Animal health and biotech peers – EV/EBITDA and 12 Month Price Target

Zoetis FY17 EV/EBITDA is 16.8x

Local biotechs with \$3m to \$8m EBITDA have multiples from 15x to 62x with average ~20x

	Market Capital (A\$m)	EV (A\$m)	FY17 EBITDA (A\$m)	EV//EBITDA
Global Animal Health				
Zoetis Inc. (NYSE:ZTS)	40,767	45,874	2,734	16.8
Local biotech with EBITDA				
Viralytics Limited (ASX:VLA)	252.7	213.1	3.5	61.8
CogState Limited (ASX:CGS)	136.9	125.7	3.5	35.9
Ellex Medical Lasers Limited (ASX:ELX)	124.8	121.3	7.9	15.3
Local veterinary practice platforms				
National Veterinary Care Limited (ASX:NVL)	127.5	156.6	13.7	11.4
Apium Animal Health Limited (ASX:AHX)	62.7	84.6	8.0	10.6
Anatara (ASX:ANR) - 2017	48	40	-3.4	
Anatara - 2020			4.2	
in 2017 \$'s at 15% WACC	67	55	2.8	20.0
\$/share	1.36			

Source: CapIQ, ANR is PAC Partners estimates

Our commercial ramp-up to 2020 gives EBITDA of \$4.2m...

...with Zoetis or other ANR led platform

We discount at 15% per annum to give \$2.8m in 2017 dollars...

...with EV/EBITDA 20x...

Our 12 Month Price Target of \$1.36/share is built in the following way:

- We estimate ANR's FY'20 EBITDA of \$4.2m with Detach™ drenching of 40% of Australian suckers (1.9m) and 11% of early adopters from EU and China (13m) at \$0.53/dose revenue and EBITDA \$0.28/dose (53% margin).
- Ideally the EBITDA will be first step of a global push with Zoetis, but it could be a focus by ANR and local pig companies on dominating Australian market with a few large customers in Asia. Some large pig companies in China have 1m sows, so receiving orders for 13m drenches could come from just 5 large companies.
- We discount 2020 EBITDA at 15% per annum to give \$2.8m in 2017 dollars.

...to give \$1.36/share 12 month price target

Long term DCF valuation is \$2.03/share (93% upside)...

...with strong global pig distribution platform...

...or other animal or human applications validated by commercial partners

Formal Zoetis distribution could lift valuation 30% to \$2.62/share

- We estimate ANR can trade at a 25% EV/EBITDA premium to Zoetis (16x to 20x) during the fast ramp up phase.
- The 20x EV/EBITDA multiple is similar to local biotechs with \$3m to \$8m EBITDA

Our longer term cash flow valuation is \$2.03/share, and relies on ANR delivering:

- Zoetis or similar animal health company as a global distribution partner. This validates the commercial application of Detach™ in pigs and potentially other animals; and gives access to a huge global distribution across main European and Chinese markets;
- Strong Australian, EU and Chinese distribution platform put together by ANR as an alternative to global animal health distributor. Direct sales to large pig companies and distributors may be a feature of this alternative. This platform is likely to take more time to put together than dealing with a single global animal health company, but should deliver more control to ANR and potentially higher margins.
- Other animal or human applications to backfill any hiatus with global distribution. Validating this value will require commercial distribution partners and/or positive clinical trials.

Each of these validation steps can also lower the risk rating and discount rate. For example if Zoetis formalised its distribution arrangement with ANR and paid significant (say \$3m milestone on APVMA approval) then discount rate would lower 2% to 13% and DCF valuation would rise 30% to \$2.62/share.

Discounted Cash Flow - Detail

DISCOUNT RATE		FORECAST									
Equity Beta Forecast	1.25										
MV of Equity	\$48.4m	Terminal Nominal Growth Rate	3.0%								
MV of Debt	\$0.0m										
MV of D+ E	\$48.4m										
Cost of Debt	10.0%										
Cost Equity (CAPM)	14.6%										
WACC - original	14.59%										
Long term sustainable equity proportion	100.00%										
Long term sustainable debt proportion	0.00%										
Sustainable WACC	14.59%										
WACC for TV Calculation	14.59%										
		2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	Terminal
		Medium Term Forecasts			Long Term Forecasts						
EBITDA Growth %		217%	-63%	-132%	965%	143%	19%	3%	168%	5%	3%
EBIT Growth %		220.0%	-63.6%	-148.8%	640.7%	136.7%	18.4%	2.9%	165.6%	5.0%	728.0%
EBITDA		-3.4	-1.2	0.4	4.2	10.2	12.2	12.5	33.6	35.3	36.3
Add: Depreciation (Non-cash)		0.0	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	(0.2)
Add: IP Amortisation (Non-cash)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT		(3.3)	(1.2)	0.6	4.4	10.4	12.4	12.7	33.8	35.5	36.5
Income Tax on EBIT		0.0	0.0	(0.2)	(1.4)	(3.2)	(3.9)	(4.2)	(10.7)	(11.5)	(7.3)
Change in Working Capital		(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.0)	0.0
Operating Cashflow		(3.5)	(1.2)	0.0	2.8	6.9	8.1	8.2	22.5	23.8	29.0
Less: Net Maintenance Capex		(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Less: Expansion Capex		(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ungeared Free Cashflow		(3.7)	(1.4)	(0.2)	2.6	6.7	7.9	8.0	22.3	23.6	28.8
Time to Mid-Year of Pd. (yrs)		0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5
Discount Factor		0.93	0.82	0.71	0.62	0.54	0.47	0.41	0.36	0.31	0.27
PV of Cashflows		(3.4)	(1.1)	(0.1)	1.6	3.6	3.7	3.3	8.0	7.4	7.9
PV of Cashflows 2017 to 2019	(4.7)										
PV of Cashflows 2020 to 2025	27.7										
PV of Term Year Cashflow	68.2										
Total PV	91.1										
Cash from Options & Equity	0.0										
Net Debt at FY16 y/e	13.8										
PV Equity	105.0										
Fully Diluted Shares	51.8										
PV per Share	2.03										
AUD/AUD	1.00										
=	\$2.03										

		Sensitivity analysis				
		TV WACC				
A\$m		\$2.03	16.5900%	14.59%	12.5900%	10.5900%
Term Growth	2.0%	\$ 1.53	\$ 1.91	\$ 2.46	\$ 3.32	
	2.5%	\$ 1.57	\$ 1.97	\$ 2.55	\$ 3.48	
	3.0%	\$ 1.61	\$ 2.03	\$ 2.66	\$ 3.67	
	3.5%	\$ 1.65	\$ 2.09	\$ 2.77	\$ 3.88	
	4.0%	\$ 1.69	\$ 2.16	\$ 2.90	\$ 4.13	

Source: PAC Partners

Risks

No guarantee that previous commercial sales of former Detach™ means regulatory approval

Regulatory approval of Detach™ – Australian Pesticides and Veterinary Medicines Authority (APVMA) is assessing a new formulation of Detach™ for re-launch in Australia after a 20 year absence. The original formulation was approved and sold commercially by Ciba-Geigy from early 1990's and attained ~40% market share (Ref: ANR) before Ciba-Geigy lost focus on animal health. There is no guarantee that regulatory approval will be guaranteed by APVMA, or that the 3QCY'17 timing of announcement will be followed. Detach™ is not targeting an unmet need and each new treatment brings risk and expense. Diarrhea in pigs and other animals currently have a few preventative measures (animal management, feed alternatives) and treatments (antibiotics and zinc oxide).

30 years of wins and losses with commercial partners...

Partnering decisions by potential global animal health partner Zoetis are not always going to support ANR's stakeholders. The road of a disruptive animal treatment like Detach™ has taken 30 years to this point, and the 20 year hiatus since last commercial treatment appears very unfair. However the facts show that this apparent simple and natural treatment which takes antibiotics and zinc oxide out of the food chain still has not been approved by APVMA, and despite many partners and ANR spending well over \$20m over last three decades on trials there is still no recent affirmative decision by a partner.

...has taught ANR to keep its options open

Zoetis decision is important in short term....

The pending decision by Zoetis to take up global rights for Detach™ is important for short term confidence in ANR. The moves without Zoetis will take more time to obtain validation across the global pig industry. ANR also has many alternatives to Zoetis, and this provides healthy tension to Zoetis-ANR partnering negotiations.

...as alternatives may take more time to deliver cash flow

ANR will start, with APVMA approval, commercial sales in Australia in 2018. If Zoetis is not a partner then the easiest alternative path for ANR is to move into Asia and EU with commercial relationships across large pig companies. ANR also has many fall back partnering positions with other global animal health companies.

Europe and possibly China are pushing for antibiotic alternatives...

Regulatory push for change with antibiotics and zinc oxide. Europe, and possibly China, are pushing hard to remove antibiotics and limit zinc oxide from animal supply chain. Australia, USA and other countries are less aggressive, and prepared to wait and see what happens in Europe. This backdrop may make it difficult for ANR to regain the 40% sucker market share it had in Australia in 1990s. ANR is speaking to all parts of Australian food chain, and it may be supermarkets and their customers demanding less antibiotics in food (a la "sow stall free" pork) that pushes regulations along.

... but rest of world appears to be waiting for more proof

ANR has two patent applications and one provisionally granted...

Patent. Original Detach™ patent has expired. ANR has made substantial improvements to the Detach™ used and claims around manufacture and function, and filed two patents in August 2014. One of these patents has proceeded to National Phase in regions of interest to ANR. ANR is spending ~\$150k each year supporting these patent submission and evaluation processes, and confident of full patent granting in the short term. There is no guarantee of patent approval, especially with commercial sales of an earlier form of Detach™. ANR has worked many trade secrets into sourcing the right BromelainRx and manufacturing Detach™, so if patents are not formalised there will be limited damage. There will be more need for pace of adoption of Detach™ is patents are not formalised, so partnering becomes important.

...formal granting and/or trade secret routes are being used

Commercial launch rely on "can do" culture and consistent delivery

Key People – Co-Founders, Tracey Mynott (Chief Scientific Officer) and Executive Chairman (Mel Bridges), are a very good partnership base for ANR and have built a "can do" team around. With critical partnership and commercial decisions over the short term, it is important that this team stays together, focuses on their strengths, and ensures consistent delivery of products and service.

Financial Model

Anatara Life Sciences

Price \$0.980
Number of shares 49 m Market Cap \$48 m

PROFIT & LOSS (A\$m)

Y/End June	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F	FY2021F	FY2022F	FY2023F	FY2024F	FY2025F
Revenue	0.0	2.3	1.0	2.8	5.1	10.5	18.9	22.1	23.3	51.7	54.3
EBITDA	-1.9	-1.1	-3.4	-1.2	0.4	4.2	10.2	12.2	12.5	33.6	35.3
Depreciation & Amortisation	0.0	0.0	0.0	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
EBIT	-1.9	-1.1	-3.4	-1.2	0.2	4.0	10.0	12.0	12.3	33.4	35.1
Net Interest	0.1	0.4	0.5	0.6	0.6	0.6	0.7	1.1	1.7	2.3	3.1
Income tax expense	0.0	0.0	0.0	0.0	-0.2	-1.4	-3.2	-3.9	-4.2	-10.7	-11.5
NPAT underlying	-1.8	-0.7	-2.9	-0.6	0.5	3.2	7.5	9.1	9.8	24.9	26.7
Equity Accounting Profits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less non-controlling Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT underlying - attributed to	-1.8	-0.7	-2.9	-0.6	0.5	3.2	7.5	9.1	9.8	24.9	26.7
Abnormal items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT Reported	-1.8	-0.7	-2.9	-0.6	0.5	3.2	7.5	9.1	9.8	24.9	26.7

BALANCE SHEET (A\$m)

Y/End June	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F	FY2021F	FY2022F	FY2023F	FY2024F	FY2025F
Cash	5.6	13.8	11.5	11.7	12.3	16.9	27.5	40.4	50.1	74.6	101.3
PP&E	0.0	0.0	0.0	0.1	0.3	0.5	0.7	0.9	1.1	1.3	1.5
Debtors & Inventory	0.1	0.1	0.0	0.1	0.4	1.0	2.0	2.4	2.6	5.9	6.2
Intangibles	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	0.0	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9
Total Assets	5.6	13.9	11.7	12.1	13.2	18.7	30.6	44.3	54.5	82.6	109.9
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Trade Creditors	0.1	0.4	0.3	0.4	0.5	1.0	1.9	2.2	2.3	5.2	5.4
Other Liabilities	0.0	0.0	0.5	0.5	0.8	1.9	3.8	4.5	4.7	11.2	12.0
Total Liabilities	0.1	0.4	0.8	1.0	1.3	3.0	5.7	6.7	7.1	16.4	17.4
NET ASSETS	5.5	13.5	10.9	11.1	11.9	15.7	24.9	37.6	47.4	66.2	92.4
OEI and Pref Shares	-	-	-	-	-	-	-	-	-	-	-
Shareholder Equity	5.5	13.5	10.9	11.1	11.9	15.7	24.9	37.6	47.4	66.2	92.4

Cash Flow (\$Am)

Y/End June	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F	FY2021F	FY2022F	FY2023F	FY2024F	FY2025F
Operating EBITDA	(1.9)	(1.1)	(3.4)	(1.2)	0.4	4.2	10.2	12.2	12.5	33.6	35.3
Interest & Tax Paid	0.1	0.3	1.3	0.6	0.6	0.6	0.7	1.1	(2.5)	(8.4)	(8.3)
Working Cap.	(0.1)	0.3	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.0)
Operating CF	(2.0)	(0.4)	(2.1)	(0.6)	0.8	4.7	10.8	13.1	9.9	24.7	26.9
Maintenance Capex	0.0	0.0	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Expansion Capex	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cashflow (FCF)	(2.0)	(0.5)	(2.3)	(0.8)	0.6	4.5	10.6	12.9	9.7	24.5	26.7
Ord & Pref Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity raised	6.4	8.5	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Other	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)
Net Cashflow	4.5	8.2	(2.3)	0.2	0.6	4.5	10.6	12.9	9.7	24.5	26.7

Segment Analysis (\$Am)

Y/End June	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F	FY2021F	FY2022F	FY2023F	FY2024F	FY2025F
Revenue											
Pig	0.0	0.0	0.0	0.3	2.6	8.0	16.2	18.2	20.4	22.9	24.1
Human	0.0	0.0	0.0	0.0	0.0	0.0	0.1	1.4	2.8	28.7	30.2
Licensing revenue	0.0	2.3	1.0	2.5	2.5	2.5	2.5	2.5	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	2.3	1.0	2.8	5.1	10.5	18.9	22.1	23.3	51.7	54.3
Gross Margin											
Pig				50.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Human							25.0%	50.0%	75.0%	75.0%	75.0%
Licensing revenue			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total			100.0%	95.4%	87.3%	81.0%	78.0%	76.3%	75.0%	75.0%	75.0%
Gross Profit											
Pig	0.0	0.0	0.0	0.1	2.0	6.0	12.2	13.7	15.3	17.2	18.1
Human	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	2.1	21.5	22.6
Licensing revenue	0.0	2.3	1.0	2.5	2.5	2.5	2.5	2.5	0.0	0.0	0.0
Total	0.0	2.3	1.0	2.6	4.5	8.5	14.7	16.9	17.4	38.7	40.7
SG&A	-1.9	-3.3	-4.4	-3.9	-4.1	-4.3	-4.5	-4.7	-4.9	-5.2	-5.4

Anatara Life Sciences

Date: 19-Jun-17
 Model Updated: 19-Jun-17

KEY RATIOS

Y/End June	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F	FY2021F	FY2022F	FY2023F	FY2024F	FY2025F
EBITDA Margin (%)	-46.5%	-336.2%	-44.8%	7.8%	40.3%	54.3%	55.0%	53.8%	65.0%	65.0%	
NPAT Margin (%)	-31.7%	-289.3%	-22.4%	10.6%	30.9%	39.9%	41.4%	42.2%	48.3%	49.3%	
ROE (%) y/e		-26.7%	-5.6%	4.5%	20.6%	30.2%	24.3%	20.7%	37.7%	28.9%	
ROI (%) y/e		685.2%	206.9%								
ROIC (%) Av.		-19.0%	-7.6%	1.1%	19.6%	33.8%	26.4%	20.0%	40.8%	30.8%	
NTA per share (cps)	0.27	0.22	0.22	0.24	0.32	0.50	0.76	0.96	1.34	1.87	
NTA per share (cps)	0.27	0.22	0.22	0.24	0.32	0.50	0.76	0.96	1.34	1.87	
Eff Tax Rate (%)	0.0%	0.0%	0.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
Interest Cover (x)	3.1	7.0	2.0	(0.3)	(6.7)	(13.8)	(10.8)	(7.3)	(14.7)	(11.2)	
Net Gearing (%)	-102.6%	-105.9%	-105.1%	-103.1%	-107.3%	-110.2%	-107.4%	-105.6%	-112.8%	-109.6%	

VALUATION PARAMETERS

Y/End June	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F	FY2021F	FY2022F	FY2023F	FY2024F	FY2025F
EPS Adj (cps)	-1.4	-5.6	-1.2	1.0	6.2	14.5	17.7	18.9	48.1	51.6	
PE Adj (x)	-66.9	-16.7	-80.4	93.6	15.7	6.7	5.6	5.2	2.0	1.9	
Enterprise Value (m)	34.6	36.9	36.8	36.1	31.6	20.9	8.0	-1.7	-26.2	-52.9	
EV / EBITDA (x)	-32.6	-11.0	-29.8	91.3	7.5	2.0	0.7	-0.1	-0.8	-1.5	
EV / EBIT (x)	-32.2	-10.9	-29.4	184.7	7.9	2.1	0.7	-0.1	-0.8	-1.5	
Price / NTA	3.6	4.5	4.4	4.1	3.1	1.9	1.3	1.0	0.7	0.5	
DPS (cps)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Franking (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Free Cash / Share (cps)	0.0	-0.05	-0.01	0.01	0.09	0.21	0.25	0.19	0.47	0.52	
Price / FCF PS (x)	-112.3	-21.7	-66.0	79.4	11.2	4.8	3.9	5.2	2.1	1.9	

DCF VALUATION & SENSITIVITY

PV of Cashflows 2017 to 2019	(4.7)	Risk Free Rate	4.0%
PV of Cashflows 2020 to 2025	27.7	Equity Risk Premium	8.5%
PV of Term Year Cashflow	68.2	Equity Beta	1.2
Cash from Options & Equity	0.0	Cost of Equity	14.6%
		After Tax WACC	14.6%
Less Net Debt	13.8	Terminal Growth	3.0%
PV of Equity	105.0		
Number of shares (Fully diluted - FY18)	51.8		
PV of Equity per share	\$ 2.03		

DIRECTORS

	Shares (m)	Shares (m)
Dr Mel Bridges	5.6	
Iain Ross	0.0	
Dr Jay Hetzel	0.0	
Dr Tracie Flamsdale	0.0	
Paul Grujic	0.0	
Total	5.6	

TV WACC

	16.6%	14.6%	12.6%	10.6%
2.0%	\$ 1.53	\$ 1.91	\$ 2.46	\$ 3.32
2.5%	\$ 1.57	\$ 1.97	\$ 2.55	\$ 3.48
3.0%	\$ 1.61	\$ 2.03	\$ 2.66	\$ 3.67
3.5%	\$ 1.65	\$ 2.09	\$ 2.77	\$ 3.88
4.0%	\$ 1.69	\$ 2.16	\$ 2.90	\$ 4.13

LT Growth

MAJOR SHAREHOLDERS

	%	%
Dr Mel Bridges	11.3%	0.0%
Thorney	5.6%	0.0%
	0.0%	0.0%
	0.0%	0.0%
Top 20	35%	

GROWTH PROFILE (YoY)

Y/End June	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F	FY2021F	FY2022F	FY2023F	FY2024F	FY2025F
Sales (\$m)			-56%	176%	85%	105%	80%	17%	5%	122%	5%
EBITDA inc EAT (\$m)		-45%	217%	-63%	-132%	965%	143%	19%	3%	168%	5%
EBIT (\$m)		-44%	214%	-63%	-116%	1951%	150%	19%	3%	171%	5%
NPAT (\$m)		-60%	300%	-79%	-188%	495%	134%	21%	7%	154%	7%
EPS (cps)		-62%	300%	-78%	-186%	495%	134%	21%	7%	154%	7%
DPS (cps)		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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RECOMMENDATION CRITERIA

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Buy	Hold	Sell
>20%	20% – 5%	<5%

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