



IDT Australia (IDT)

Sterile manufacturing licence opens sales opportunities

Our View

Last month the Therapeutic Goods Administration (TGA) upgraded IDT's sterile manufacturing licence, allowing it to manufacture and release injectable medicines for clinical trials in Australia and overseas. We view this as an important step towards the company's goal of generating meaningful revenue from sterile injectable drugs, which is intended to put it on the pathway to a return to profitability.

The company notes that it already has a pipeline of potential sterile manufacturing contracts that stands at over \$6m. The first green shoots that we will be looking for is an indication that IDT has converted some of these opportunities into signed sales contracts.

We expect the initial revenue contribution from sterile manufacturing contracts to be modest. We suspect that most contracts would include a period of technology transfer and process development, ahead of the actual product manufacture. Revenue from these contracts is likely to be back-ended, with the bulk of the contract value realised once the drug product has been manufactured.

The slow revenue build expected from sterile injectables contracts means that it will be important for IDT to capitalise on the near term revenue opportunities it has identified in oral psychedelic drugs and medicinal cannabis manufacture.

IDT reported revenue of \$2.4m in H123. We estimate that the revenue run rate would need to grow 3-4 fold to reach breakeven. We maintain our **No Rating** recommendation as we await evidence of meaningful revenue growth.

Key Points

Upgraded sterile licence opens the door to Phase II and III trials

The upgraded licence will enable IDT to manufacture sterile injectable drugs for use in Phase II and Phase III clinical trials. Under its previous licence it was able to fill bulk vials of injectable vaccine under GMP conditions, and to manufacture finished vaccine doses for use in Phase I clinical trials, but it was not approved to certify the release of drug product for use in later stage clinical trials. The company's aseptic processing facility (ASP) ensures that every part of the manufacturing chain is free from microbial contamination.

Antibody/drug conjugates a key component of sterile opportunity

IDT has the capacity to produce antibody/drug conjugates (ADC) for use in late stage clinical trials. ADCs are advanced therapies that deliver cytotoxic drugs to specific targets on cancer cells, reducing side effects and increasing potency. IDT's strategic review identified a global shortage of capacity to produce ADC drugs for use in late stage clinical trials.

Oral psychedelics and medicinal cannabis also offer opportunities

IDT has identified opportunities within its existing medicinal cannabis drug manufacturing business, and in psychedelic medicines. The TGA intends to relax the scheduling of the psychedelic drugs MDMA and psilocybin from 1 July. The supply of GMP grade MDMA is limited globally, so there is an opportunity for IDT in this space. The company has successfully manufactured MDMA at a laboratory scale and has already entered a partnership to produce psilocybin.

Real assets give it funding options

IDT had \$4.8m cash at 31 December and owns land and buildings valued at \$14.6m. The real estate assets give it the option to access debt funding as an alternative to raising capital while it seeks to grow revenue to sustainable levels. Its net asset backing of \$0.10/sh on 31 December provides some downside protection to the share price, in our view.

Our conflicts of interests are disclosed on the last page of this report.

21 April 2023

Speculative Investment

No Rating

Summary (AUD)

Market Capitalisation	\$19M
Share price	\$0.076
52 week low	\$0.056
52 week high	\$0.18
Cash as at 31 December 2022	\$4.8m

Share price graph (AUD)



Key Financials (AUDm)

	FY22A	FY23E	FY24E
Revenue (\$m)	12.1	6.3	9.5
Expenses (\$m)	(12.5)	(14.3)	(15.1)
EBITDA (\$m)	(0.4)	(8.0)	(5.6)
Reported NPAT (\$m)	(1.2)	(9.1)	(7.0)
NPAT Adj. (\$m)	(1.2)	(9.1)	(7.0)
EPS Adj. (c)	(0.5)	(3.8)	(2.9)
PE ratio (x)	n/a	n/a	n/a
DPS (c)	0.0	0.0	0.0
EV/Sales	0.8	1.6	1.0
EV/EBITDA (x)	n/a	n/a	n/a
ROE	n/a	n/a	n/a

IDT Australia - Summary of Forecasts

IDT \$ 0.076

PROFIT & LOSS SUMMARY (A\$m)

Year end June	FY21A	FY22A	FY23E	FY24E
Sales revenue	16.0	12.1	6.3	9.5
Other income.	0.9	0.0	0.0	0.0
Total Revenue	16.9	12.1	6.3	9.5
Growth (pcp)	19.8%	-28%	-48.0%	50.8%
Operating expenses	(14.2)	(12.5)	(14.3)	(15.1)
EBITDA	2.7	(0.4)	(8.0)	(5.6)
Dep'n/Amort'n	(1.8)	(1.5)	(1.2)	(1.4)
EBIT	0.9	(1.9)	(9.2)	(7.0)
Net Interest	0.0	0.0	0.1	0.0
Pre- Tax Profit	1.0	(1.9)	(9.1)	(7.0)
Tax Expense	1.1	0.7	0.0	0.0
NPAT Adj.	2.1	(1.2)	(9.1)	(7.0)
Growth (pcp)	n/a	n/a	n/a	n/a
Adjustments	0.0	0.0	0.0	0.0
NPAT Reported	2.1	(1.2)	(9.1)	(7.0)

PER SHARE DATA

Year end June	FY21A	FY22A	FY23E	FY24E
EPS (c) - Reported	0.9	(0.5)	(3.8)	(2.9)
Growth (pcp)	n/a	n/a	n/a	n/a
EPS (c) - Adjusted	0.9	(0.5)	(3.8)	(2.9)
Growth (pcp)	n/a	n/a	n/a	n/a
Dividend (c)	0.0	0.0	0.0	0.0
Franking	0.0	0.0	0.0	0.0
Gross CF per share (c)	0.2	1.2	(2.4)	(2.4)
NTA per share (c)	11.5	11.3	8.8	5.9

KEY RATIOS

Year end June	FY21A	FY22A	FY23E	FY24E
Net Debt : Equity (%)	-22%	-31%	-10%	30%
Net Debt: EBITDA (x)	(2.3)	22.8	0.3	(0.8)
Current ratio (x)	2.8	5.0	1.8	1.1
ROE (%)	8%	-4%	-38%	-39%
ROIC (%)	4%	n/a	n/a	n/a
Dividend Payout Ratio (%)	n/a	n/a	n/a	n/a

VALUATION MULTIPLES

Year end June	FY21A	FY22A	FY23E	FY24E
PE Ratio (x)	8.6	n/a	n/a	n/a
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	0.6	0.8	1.6	1.0
EV/EBITDA (x)	3.6	n/a	n/a	n/a
EV/EBIT (x)	10.6	n/a	n/a	n/a

BALANCE SHEET SUMMARY

Year end June	FY21A	FY22A	FY23E	FY24E
Cash	6.9	9.2	3.0	0.6
Receivables	9.4	2.8	1.9	2.9
Inventories	0.5	1.1	0.3	0.4
Other	0.5	0.8	0.8	0.8
Total Current Assets	17.3	13.9	5.9	4.6
Inventories	0.0	0.0	0.0	0.0
Property Plant & Equip	16.7	16.2	18.8	18.0
Intangibles	0.1	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Total Current Assets	16.9	16.2	18.8	18.0
TOTAL ASSETS	34.1	30.1	24.7	22.6
Accounts Payable	4.4	1.3	1.7	2.6
Borrowings	0.8	0.9	0.9	0.9
Employee benefit obligations	0.6	0.5	0.5	0.5
Other	0.3	0.2	0.2	0.2
Total Current Liab	6.1	2.8	3.2	4.1
Borrowings	0.0	0.0	0.0	4.0
Provisions	0.4	0.3	0.3	0.3
Other	0.0	0.0	0.0	0.0
Total Non- Current Liab	0.4	0.3	0.3	4.3
TOTAL LIABILITIES	6.5	3.1	3.5	8.4
TOTAL EQUITY	27.6	27.0	21.2	14.2

CASH FLOW SUMMARY

Year end June	FY21A	FY22A	FY23E	FY24E
EBIT (excl Abs/Extr)	0.9	(1.9)	(9.2)	(7.0)
Add: Dep'n & Amort'n	1.8	1.5	1.2	1.4
Change in Payables	0.7	(3.2)	0.4	0.9
Other non- cash items	0.8	(0.0)	0.0	0.0
Less: Tax paid	0.0	0.5	0.0	0.0
Net Interest	0.0	(0.0)	0.1	0.0
Change in Rec.	(3.9)	6.6	0.9	(1.0)
Change in Inv.	(0.0)	(0.6)	0.9	(0.1)
Gross Cashflows	0.4	2.9	(5.7)	(5.8)
Capex	(0.5)	(0.9)	(0.5)	(0.6)
Free Cashflows	(0.2)	1.9	(6.2)	(6.3)
Share Issue Proceeds	0.2	0.3	0.0	0.0
Other	0.0	0.0	0.0	4.0
Dividends Paid	0.0	0.0	0.0	0.0
Net Cashflows	0.1	2.3	(6.2)	(2.3)
FX Effect on Cash	0.0	0.0	0.0	0.0

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