



IDT Australia (IDT)

Antibody drug conjugates seen as the path to growth

Our View

Following its recent strategic review, IDT has mapped out a pathway that could potentially see it return to profitability in the next few years.

It has identified revenue growth opportunities in:

- The manufacture of sterile injectable drugs, particularly antibody drug conjugates (ADC) for late-stage clinical trials; and
- Oral psychedelic drugs and medicinal marijuana.

We like the focus on ADC drugs, which is playing to IDT's strength in high containment manufacture of cytotoxic drugs. IDT has applied to the TGA to upgrade its sterile injectables licence so that it can fully exploit this opportunity.

While the focus on sterile injectables (and to a lesser extent psychedelics and medicinal cannabis) offers a plausible pathway for a return to profitability, there remains considerable uncertainty about the outcome.

IDT is starting from a low base. Revenue of \$2.4m in H123 was ~40% below our forecast, while costs rose by 15% as it invested in upgrading its sterile injectables licence. While we expect revenue to rebound to \$3.9m in H223, we estimate that the revenue run rate would need to at least double from that point to reach breakeven. We maintain our **No Rating** recommendation as we await evidence that the new strategy can deliver meaningful revenue growth.

Key Points

Antibody/drug conjugates offer a path to growth

IDT's strategic review identified a shortage of global capacity to produce antibody/drug conjugates for use in late stage clinical trials. It has received several project proposals for the development and GMP manufacture of sterile injectable ADC drugs for clinical trial use.

Awaiting TGA decision on sterile injectables licence upgrade

In 2021 IDT requalified its sterile fill and finish manufacturing facility, with financial support from the Federal Government, which enabled it to fill bulk vials of injectable vaccine under GMP conditions, and to manufacture finished vaccine doses for use in Phase I clinical trials.

IDT has applied to the TGA to upgrade the licence to enable it to manufacture sterile injectable drugs for use in Phase II and Phase III clinical trials. IDT expects the licence to be granted in the current quarter.

Oral psychedelics and medicinal cannabis also offer opportunities

Within the oral dose drug product category, IDT has identified growth opportunities within its existing medicinal cannabis drug manufacturing business, and through psychedelic medicines. The TGA intends to relax the scheduling of the psychedelic drugs MDMA and psilocybin from 1 July. Industry contacts confirm that the supply of GMP grade MDMA is limited globally, so there is clearly an opportunity for IDT in this space. The company has successfully manufactured MDMA at a laboratory scale and has already entered a partnership with Woke Pharmaceuticals to produce psilocybin.

Real assets could allow debt funding

IDT had \$4.8m cash at 31 December, plus an unused debt facility of \$2.5m. It owns land and buildings valued at \$14.6m, so there may be potential to expand the debt facility to provide additional funding. Our forecasts assume \$4m of debt funding would be needed to support operations to the end of FY25. If actual revenue beats our forecasts this requirement will be reduced.

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

14 March 2023

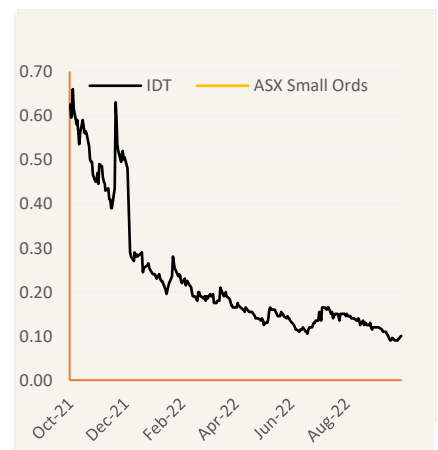
Speculative Investment

No Rating

Summary (AUD)

Market Capitalisation	\$14M
Share price	\$0.06
52 week low	\$0.059
52 week high	\$0.24
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	0.5	1.0	0.6
EV/EBITDA (x)	n/a	n/a	n/a
ROE	n/a	n/a	n/a

IDT Australia - Summary of Forecasts

IDT \$ 0.06

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)	6.8	n/a	n/a	n/a
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	0.4	0.5	1.0	0.6
EV/EBITDA (x)	2.2	n/a	n/a	n/a
EV/EBIT (x)	6.5	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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