CEO departure brings stock uncertainty

PAR has announced that its CEO, Mr Marco Polizzi, has stepped down from his role and will cease his employment on 20 February 2023. Mr Polizzi took up the role 1 July 2022. Mr Paul Rennie, PAR's founder and Non-executive Chairman, has been appointed as Managing Director to take effect immediately and will transition to Executive Chairman.

Founder/Former MD/Interim Chair

As founder and ongoing intimate involvement with the company, Mr Rennie has an in-depth understanding of the R&D program and investor market. Mr Rennie can 'fill' the shoes as the complex global Phase 3 clinical trial program in Knee Osteoarthritis (KOA) and earlier stage trials in Mucopolysaccharidoses (MPS) continue.

Loss of needed international 'presence'/commercial experience

Mr Polizzi was primarily appointed for his experience in the international pharma markets, particularly the US, with the aim of optimising Zilosul®'s commercial prospects. The company highlighted his contacts within the pharmaceutical industry network, transactional expertise and experience in product launch and reimbursement. He also provided a US presence, close to the international pharmaceutical markets.

Investors will need re assurance

In MST's view, the news is likely to re-focus investors' minds on funding and how the value of PAR's commercial assets will be realised. In terms of near-term drivers, data from the DMOA[1] PAR-008 trial are expected H1CY22. As the potential first DMOA therapy, positive news is likely to create interest. From a funding perspective, its August 2022 $66m fundraising is understood to provide funding to Q1CY24. Cash at end September 2022 was A$92.4m, with a $7.4m R&D tax incentive rebate in November. Topline results of the pivotal PAR-002 trial are expected in Q4CY24.

Valuation, Risks and Sensitivities

MST's valuation of $3.27ps. is unchanged. The valuation assumes that PAR can deliver its trial program timelines. The valuation is subject to the usual drug development risks, commercial uptake –regulatory approval market entry, market size, market share, pricing, drug supply, competitor products, timelines and potential licensing metrics – all may differ to MST assumptions.

PARADIGM BIOPHARMA

ASX-listed biotechnology company, Paradigm Biopharma's (PAR.AX) strategy is to take already approved medicines that have shown safety and efficacy in one condition and repurpose them for new indications. The aim is to reduce time, cost and risk. Its first candidate is injectable pentosan polysulphate sodium (iPPS), Zilosul®, for use in osteoarthritis of the knee (KOA) and hip (HOA) and mucopolysaccharidosis (MPS), a genetic enzyme disease. Zilosul®'s mechanism of action offers potential application use in a number of other diseases. Clinical data to date have demonstrated benefit with minimal adverse effects.

Stock	PAR.ASX
Price	A$1.51
Market cap	A$432m
Valuation	$3.27 (unchanged)

Next news

- H2CY22 – DSMB review[2]
- H1CY23 – Data PAR-008 DMOA trial
- H1CY23 – Dose Selection for KOA Phase 3 trials
- H1CY23 – 1st Patient enters PAR-003 Confirmatory trial
- H1CY23 – MPS-1 trial completion

PAR.AX Share Price (A$)

Source: Factset

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[1] Disease Modifying Osteoarthritis

[2] Data Safety Monitoring Board

Exhibit 1 – MST Financial Summary

Paradigm Biopharmaceuticals Ltd — PAR-AU

Year end 30 June

MARKET DATA

Share Price	**A$/share**	**1.51**
52 week high / low	A$	2.30 - 0.86
Valuation (12 month forward)	**A$**	**3.27**
Market capitalisation	**A$m**	**432**
Shares on issue	m	285
Options	m	4
Other equity	m	47
Potential shares on issue (diluted)	m	336

12 month performance

INVESTMENT FUNDAMENTALS		FY20	FY21	FY22	FY23E	FY24E
EPS Reported (undiluted)	¢	(6.0)	(16.7)	(16.8)	(15.2)	(11.2)
EPS Underlying (undiluted)	**¢**	**(6.0)**	**(16.7)**	**(16.8)**	**(15.2)**	**(11.2)**
Underlying EPS growth	%	n/m	n/m	n/m	n/m	n/m
P/E Reported (undiluted)	**x**	**n/m**	**n/m**	**n/m**	**n/m**	**n/m**
P/E at Valuation	x	n/m	n/m	n/m	n/m	n/m
Dividend	**¢**	**-**	**-**	**-**	**-**	**-**
Payout ratio	%	0%	0%	0%	0%	0%
Yield	**%**	**-**	**-**	**-**	**-**	**-**

KEY RATIOS (A$)		FY20	FY21	FY22	FY23E	FY24E
Forecast year end shares	m	225	230	233	283	330
Market cap (Y/E / Spot)	**$m**	**339.4**	**347.2**	**351.3**	**428.0**	**498.5**
Net debt /(cash)	$m	(103.9)	(71.0)	(39.7)	(59.2)	(92.2)
Enterprise value	**$m**	**235.4**	**276.1**	**311.7**	**368.9**	**406.3**
EV/Sales	x	63.7	31.6	35.7	22.7	12.9
EV/EBITDA	**x**	**(17.8)**	**(8.0)**	**(7.9)**	**(8.3)**	**(10.5)**
EV/EBIT	x	(17.8)	(8.0)	(7.9)	(8.3)	(10.5)
Net debt / Enterpprise Value	x	(0.4)	(0.3)	(0.1)	(0.2)	(0.2)
Gearing (net debt / EBITDA)	**x**	**7.8**	**2.1**	**1.0**	**1.3**	**2.4**
Operating cash flow per share	$	(0.0)	(0.2)	(0.1)	(0.2)	(0.1)
Price to operating cash flow	**x**	**(33.6)**	**(9.9)**	**(10.9)**	**(9.9)**	**(13.5)**
Free cash flow	**$m**	**(4.5)**	**(34.3)**	**(32.2)**	**(43.2)**	**(36.9)**
Free cash flow per share	$	(0.02)	(0.15)	(0.14)	(0.15)	(0.11)
Price to free cash flow	**x**	**(76.0)**	**(10.1)**	**(10.9)**	**(9.9)**	**(13.5)**
Free cash flow yield	**%**	**-1.3%**	**-9.9%**	**-9.2%**	**-10.1%**	**-7.4%**
Book value / share	$	0.48	0.34	0.18	0.22	0.29
Price to book (NAV)	**x**	**3.1**	**4.4**	**8.3**	**6.8**	**5.2**
NTA / share	$	0.47	0.33	0.17	0.21	0.28
Price to NTA	**x**	**3.2**	**4.6**	**8.9**	**7.2**	**5.4**
EBITDA margin	%	n/m	n/m	n/m	n/m	n/m
ROE (Average Equity)	%	n/m	n/m	n/m	n/m	n/m
ROA (EBIT)	%	n/m	n/m	n/m	n/m	n/m
Interest cover (EBIT / net interest)	x	n/m	n/m	n/m	n/m	n/m

PROFIT AND LOSS (A$)		FY20	FY21	FY22	FY23E	FY24E
Revenue & Other Income	A$m	3.7	8.7	8.7	16.2	31.4
Expenses	A$m	(17.0)	(43.2)	(48.0)	(60.7)	(70.0)
EBITDA	**A$m**	**(13.3)**	**(34.5)**	**(39.3)**	**(44.4)**	**(38.6)**
D&A	A$m	-	-	-	-	-
EBIT	**A$m**	**(13.3)**	**(34.5)**	**(39.3)**	**(44.4)**	**(38.6)**
Interest	A$m	1.0	0.2	0.0	1.2	1.7
Non-operating income	A$m	-	-	-	-	-
Pre-tax Profit	**A$m**	**(12.3)**	**(34.3)**	**(39.2)**	**(43.2)**	**(36.9)**
Tax	A$m	-	-	-	-	-
Minorities	A$m	-	-	-	-	-
Underlying NPAT	**A$m**	**(12.3)**	**(34.3)**	**(39.2)**	**(43.2)**	**(36.9)**

BALANCE SHEET (A$)		FY20	FY21	FY22	FY23E	FY24E
Cash	A$m	103.9	71.0	39.7	59.2	92.2
Receivables	A$m	3.5	8.5	6.7	0.7	1.3
Inventory	A$m	-	-	-	0.4	0.8
PPE	A$m	0.1	0.1	0.1	0.1	0.1
Intangibles	A$m	2.9	2.9	2.9	2.9	2.9
Other	A$m	1.9	2.2	1.3	1.3	1.3
Total Assets	**A$m**	**112.4**	**84.8**	**50.7**	**64.5**	**98.6**
Accounts Payable	A$m	2.8	5.0	7.1	0.7	1.3
Borrowings	A$m	-	-	-	-	-
Leases	A$m	0.9	0.8	0.6	0.6	0.6
Provisions	A$m	0.5	0.8	0.7	0.7	0.7
Other	A$m	-	-	-	-	-
Total Liabilities	**A$m**	**4.2**	**6.5**	**8.4**	**2.0**	**2.6**
Shareholder's equity	**A$m**	**108.2**	**78.3**	**42.3**	**62.6**	**96.0**

CASH FLOW (A$)		FY20	FY21	FY22	FY23E	FY24E
Receipts from customers	A$m	-	-	0.1	16.2	22.0
Payments to suppliers and employees	A$m	(14.8)	(38.6)	(41.8)	(60.7)	(70.0)
Milestones, R&D Rebates, Grants	A$m	3.6	3.4	9.5	-	9.3
Interest	A$m	1.1	0.3	0.0	1.2	1.7
Tax	A$m	-	-	-	-	-
Operating cash flow	**A$m**	**(10.1)**	**(34.9)**	**(32.2)**	**(43.2)**	**(36.9)**
Capex	A$m	(0.1)	(0.0)	-	-	-
Acquisitions	A$m	-	-	-	-	-
Other	A$m	5.8	0.7	-	-	-
Investing cash flow	**A$m**	**5.6**	**0.7**	**-**	**-**	**-**
Borrowings	A$m	1.8	(0.0)	0.1	-	-
Equity	A$m	34.3	1.0	-	62.7	70.0
Dividend	A$m	-	-	-	-	-
Financing cash flow	**A$m**	**36.1**	**1.0**	**0.1**	**62.7**	**70.0**
Change in Cash / FX	A$m	31.6	(33.3)	(32.1)	19.5	33.1
Year end cash	**A$m**	**103.9**	**71.1**	**39.7**	**59.2**	**92.2**

Investment Thesis

Snapshot of Paradigm Biopharma (PAR.AX)

PAR.AX is repurposing pentosan polysulphate sodium (PPS) as an injectable formulation (Zilosul®) for a number of inflammatory related conditions. Its first targets include osteoarthritis (OA) and mucopolysaccharidoses (MPS). PPS has been approved for >50 years for use in haemorrhagic cystitis.

- Zilosul® Phase 2b trial data support a potential superior advantage to current drug therapies.
- Positive results in Phase 3 trials would be expected to support application for US, EU and Australian approval.
- The readout of Phase 3 trial arm, PAR-002, is planned for Q4CY24.
- PAR will require additional funding/licensing arrangement to complete its planned clinical trial program.

Investment thesis

- Zilosul® carries lower development risk: As a repurposed drug, it offers a higher safety perspective and as a later stage asset commencing Phase 3 trials, lower efficacy risk.
- Higher-than-average probability of approval: The similarity of the Phase 2b and 3 trials supports a higher probability that the Phase 3 trial will repeat a statistically significant Phase 2b result.
- Large market with current drugs offering only short-term relief and significant adverse effects: Market opportunity is significant if the Phase 3 data confirm the data to date of meaningful pain relief and limited adverse effects. If PAR can demonstrate a potential disease-modifying role, there is also likely to be higher market penetration, pricing advantages and potentially longer-term use.

Valuation, Risks, Sensitivities

MST's valuation of $3.27ps. is unchanged. MST valuation carries a number of assumptions - regulatory approval, commercial uptake – timing around trials and market entry, market size, market share, pricing, drug supply, competitor products, timeline and potential licensing metrics – all may differ to MST assumptions.

Expected FY23 News flow

Study	Newsflow	Timing
*DSMB Review	Confirm safety/ Phase 3 trial compliance	H2CY22
PARA_OA_008 DMOA Phase 2 trial	Further evidence of DMOA** function	H1CY23
Canine Study	Longer term DMOA** data	H1CY23
OA-002, 003,006	Dose confirmation, 003 & 006 to follow	H1CY23
***MPS Trials	Clinical Trial data	H1CY23

*Data Safety Monitoring Board

** Disease Modifying OA

*** Mucopolysaccharidoses

Source: Company Reports, MST Assumptions

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