Kazia Therapeutics

Q123 trading update

Q123 cash flows in line with our estimates

Pharma and biotech

Kazia Therapeutics' Q123 cash flow report provided an update on the company's financial position and business progress. While the quarter was dominated by lead asset paxalisib hitting a roadblock (failing to graduate to stage two of the GBM AGILE study), the period was also marked by clinical progress across other serious indications such as pediatric brain cancers and brain metastases (BMs). With multiple studies expected to read-out in CY23, the next few quarters will be crucial for the company. Period-end cash balance of AU$5.3m (c US$3.4m) was supported by an AU$3.7m equity injection and should be sufficient to extend the runway to end CY22 at current burn rates (A$6.1m in Q123). Further support is expected from drawing down on the outstanding at-the-market funding facility. We anticipate the capital requirements to come down materially as the GBM study approaches completion in H2 CY23. Our estimates and valuation remain unchanged at US$146.6m or US$9.79 per basic ADR.

Year end	Revenue (US$m)	PTP* (US$m)	EPADR (US$)	DPADR (US$)	P/E (x)	Gross yield (%)
06/21	10.5	(3.1)	(0.25)	0.0	N/A	N/A
06/22	0.0	(14.6)	(1.08)	0.0	N/A	N/A
06/23e	0.0	(18.6)	(1.23)	0.0	N/A	N/A
06/24e	10.6	(16.8)	(1.11)	0.0	N/A	N/A

Note: *Converted at 1.45/US$. Dividend yield excludes withholding tax. Investors should consult their tax advisor regarding the application of any domestic and foreign tax laws.

In addition to the company's cash flow position, management has highlighted several encouraging developments for Kazia over Q123, notwithstanding the somewhat disappointing announcement from the Phase III GBM AGILE study in August 2022. The international expansion of the PNOC022 study, investigating paxalisib in combination with ONC201 in diffuse intrinsic pontine glioma (DIPG) and diffuse midline gliomas, hints at paxalisib's potential utility in these serious orphan diseases. Early clinical data in BMs, which appear to show a 100% response rate to paxalisib (albeit in a small patient population), further support the PI3K inhibitor's potential impact in the brain cancer. In addition, the recent presentation of positive preclinical data for paxalisib in melanoma is potentially encouraging for the drug's use in other, non-central nervous system oncology indications. Several of these studies are anticipated to report data in CY23 and we foresee a number of potential inflection points for the company in the coming quarters.

R&D related expenses (A$4.3m) made up the majority of cash expenses during the period although with enrollment for the GBM AGILE study now complete, we expect future expenditure to be significantly reduced (management has disclosed that the remaining part of the trial is fully funded). Cash used in operations for the quarter was A$6.1m and the company received A$3.7m in proceeds from the issue of equity during the period, resulting in a net cash outflow (including FX movements) of AU$2.1m. At current burn rates, the company has sufficient cash to last to end CY22, although management's internal projections suggest the funds lasting into Q1 CY23. In light of the current release, our forecasts and valuation of Kazia Therapeutics remains unchanged, pending disclosure of full accounts.

1 November 2022

Price	**$0.83**
Market cap	**$13m**
	ADR/Ord conversion ratio 1:10
Net cash (US$m) at end-September 2022	3.4
ADRs in issue	15.11m
ADR code	KZIA
ADR exchange	Nasdaq
Underlying exchange	ASX
Depository	BNY

ADR share price performance

Business description

Kazia Therapeutics is a late-stage clinical pharmaceutical company with lead asset paxalisib (a PI3K inhibitor that can cross the blood-brain barrier, licensed from Genentech) in a pivotal study for GBM and in early-stage studies in childhood brain cancers, DIPG and AT/RT. The other asset is the Phase I drug EVT801, an inhibitor of VEGFR3.

Next events

Interim data from EVT801 Phase I study	H1 CY23
Phase II GMB AGILE top-line data	H2 CY23
Interim data from Phase II PNOC22	CY23

Analysts

Soo Romanoff +44 (0)20 3077 5700

Dr Harry Shrives +44 (0)20 3077 5700

Jyoti Prakash, CFA +44 (0)20 3077 5700

healthcare@edisongroup.com

Edison profile page

General disclaimer and copyright

This report has been commissioned by Kazia Therapeutics and prepared and issued by Edison, in consideration of a fee payable by Kazia Therapeutics. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia