

Medexus Pharmaceuticals Inc.

Strong End to the Year with FQ4 Pre-Announcement Showing Continued Momentum in Key Growth Products; Reiterating Spec. Buy Rating, C\$3.00 PT

MDP-TSX: C\$1.59
Speculative Buy
C\$3.00 Target

Event – Medexus today reported preliminary unaudited FQ422 (period ending March 31, 2023) revenues that were ahead of consensus expectations, with key products IXINITY, Gleolan, Rasuvo and Rupall again driving growth. As the company continues to derive significant operating leverage from its established sales infrastructure, we continue to believe the Company's top line is poised to grow meaningfully in the coming years via successful growth product launches and label expansions. As such, We continue to view MDP as a compelling opportunity for investors and reiterate our Spec. Buy rating and \$3.00/shr target price.

Revenue Ahead of Consensus as Key Products Continue to Gain Momentum – Medexus announced that it expects to deliver \$28.0M to \$28.5M in revenue for FQ422, ahead of consensus at \$27.8M and slightly below our \$28.8M estimate, for impressive growth of at least 38.1% y/y. Management highlighted that IXINITY (Factor IX replacement for hemophilia B patients) continued its positive sales trend, reflecting both new patient conversion as well as strong retention of existing patients. Similarly, sales of glioblastoma imaging agent Gleolan have continued to grow as the company successfully executes its post-transition sales and marketing activities after acquiring the product in March 2022. Rasuvo has held its position as the leading methotrexate autoinjector in the relatively mature US branded methotrexate market, while prescription allergy medication Rupall showed meaningful growth y/y despite FQ4 being a seasonally weak quarter for this product class.

Base Business Strength Leads to Sixth Consecutive Revenue Beat Versus Consensus – With the full audited financial results expected in late April or early May, we highlight that the midpoint of the preliminary revenue range represents the sixth consecutive beat versus consensus. The company continues to demonstrate that, despite delays to the potential FDA approval of Treosulfan, management has been able to successfully leverage its sales teams and infrastructure to meaningfully grow the existing portfolio assets. Meanwhile, the potential approval of Treosulfan in late C2024 (mid-F2025, 40% probability of approval) continues to provide significant upside optionality for investors.

Board Update as New Chairman Announced, Expecting Seamless Transition – The company also announced that long-time board member and chair of the audit committee, Michael Mueller, has been elected to succeed current chair and managing partner of life sciences venture capital firm Lumira Ventures (private), Peter van der Velden, who has chosen to step down. Along with being the current chairman of the board of Laurentian Bank (LB-TSX, NR), Mr. Mueller has strong business leadership experience from previous senior positions at TD Bank (TD-TSX, NR) and the Public Sector Pension Investment Board as well as at MDS Capital Corporation (acquired) and other funds and ventures.

Valuation – Our F2024 and C2023 estimates remain materially unchanged and, as such, we reiterate our Speculative Buy rating and C\$3.00/shr price target, which is derived using the average of our DCF (13% discount rate, 3% terminal growth) and 6.0x C2023 EV/EBITDA valuations. MDP currently trades at 4.0x C2023 EBITDA, below Canadian peers at 7.0x, and below the DCF value of the portfolio ex-Treosulfan, which we estimate to be C\$2.20/shr, while the risk-adjusted value of Treosulfan is estimated to be C\$1.00/shr (40% probability of approval).

Projected Return: 89%
Discount Rate: 13%

All figures in USD unless otherwise stated

Medexus Pharmaceuticals Inc.

Market Cap.	Basic (US\$M)	24
	FD (US\$M)	26
Pro-forma Net Debt	(US\$M)	62
Enterprise Value	FD (US\$M)	87
Basic Shares O/S	(M)	20
FD Shares O/S	(M)	22
Avg. Daily Volume	(K)	31
52 Week Range		\$0.88 - \$3.24

Financial Metrics

FYE - December 31	F2022A	F2023E	F2024E
Revenue (\$M)	76.7	107.7	121.8
Gross Profit (\$M)	43.7	66.4	73.5
EBITDA (\$M)	(3.9)	16.2	23.0
EPS	(\$1.23)	(\$0.43)	\$0.14

Valuation Data

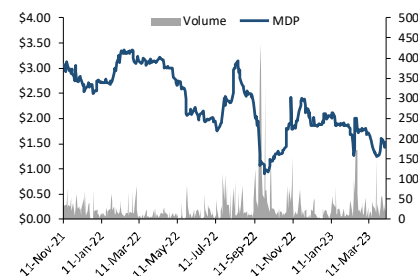
		C2021A	C2022E	C2023E
EV / Sales	MDP	1.2x	0.9x	0.7x
	Peers	2.7x	2.1x	1.8x
EV / EBITDA	MDP	NA	7.0x	4.0x
	Peers	7.6x	7.1x	7.0x

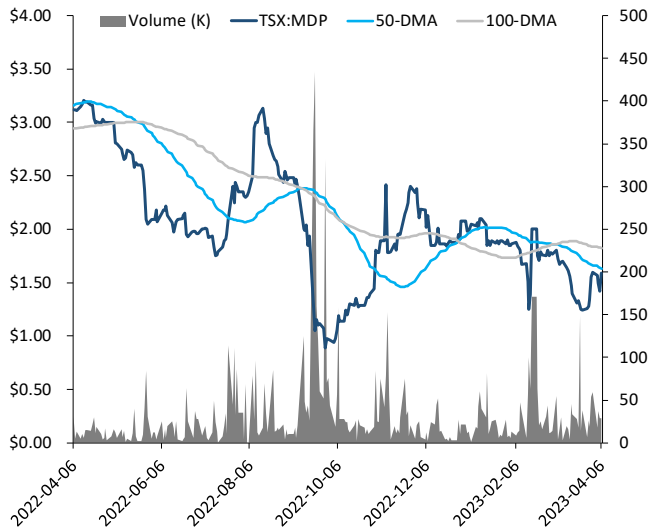
Quarterly Data

		FQ1	FQ2	FQ3	FQ4
Revenue (\$M)	F2022	17.3	17.9	21.3	20.3
	F2023	23.0	27.7	28.7	28.3
	F2024	28.7	31.2	31.2	30.7
EBITDA (\$M)	F2022	(4.9)	(2.0)	1.9	1.1
	F2023	1.9	4.2	5.2	4.9
	F2024	4.1	6.4	6.2	6.2
EPS	F2022	(\$0.51)	(\$0.32)	(\$0.17)	(\$0.23)
	F2023	(\$0.18)	(\$0.14)	(\$0.04)	(\$0.07)
	F2024	(\$0.05)	\$0.06	\$0.04	\$0.09

Company Description

Medexus Pharmaceuticals Inc. operates as a specialty pharmaceutical company in Canada and the United States. It focuses on the therapeutic areas comprising oncology, hematology, rheumatology, auto-immune diseases, and allergy. The company's primary products are Rasuvo and Metoject, a formulation of methotrexate designed to treat rheumatoid arthritis and other auto-immune diseases; IXINITY, an intravenous recombinant factor IX therapeutic for use in patients 12 years of age or older with Hemophilia B; and Rupall, a prescription allergy medication. Its products portfolio also includes Treosulfan, a bifunctional alkylating agent for allogeneic hematopoietic stem cell transplantation; Trispan, a triamcinolone hexacetonide injectable suspension; and Gleolan, an optical imaging agent indicates for patients with glioma symptoms.



Medexus Pharma Inc. (TSX:MDP, \$1.59) - Data Sheet
Speculative Buy | PT: \$3.00

Company Description

Medexus Pharmaceuticals Inc. operates as a specialty pharmaceutical company in Canada and the United States. It focuses on the therapeutic areas comprising oncology, hematology, rheumatology, auto-immune diseases, and allergy. The company's primary products are Rasuvo and Metoject, a formulation of methotrexate designed to treat rheumatoid arthritis and other auto-immune diseases; IXINITY, an intravenous recombinant factor IX therapeutic for use in patients 12 years of age or older with Hemophilia B; and Rupall, a prescription allergy medication. Its products portfolio also includes Treosulfan, a bifunctional alkylating agent for allogeneic hematopoietic stem cell transplantation; Trispan, a triamcinolone hexacetone injectable suspension; and Gleolan, an optical imaging agent indicates for patients with glioma symptoms. The company was formerly known as Pediapharm Inc. and changed its name to Medexus Pharmaceuticals Inc. in December 2018. Medexus Pharmaceuticals Inc. is based in Bolton, Canada.

Consensus Ratings

	3M Ago	Current	Return
Rating:	Outperform	Outperform	
Target:	\$5.00	\$3.30	108%
Median:	\$4.00	\$3.50	120%
High:	\$11.00	\$5.50	246%
Low:	\$1.50	\$1.50	(6%)

Consensus Distribution

Outperform/Buy	5	71%
Perform/Hold	2	29%
Underperform/Sell	0	0%
# Est	7	

Key Statistics

52-Week High	\$3.24	104%
52-Week Low	\$0.88	(45%)
Avg Vol (3-Mo)	31.2	
Shares Outstanding (Basic)	20.1	
Market Cap (Basic, US\$M)	23.7	
Market Cap (FD, US\$M)	25.7	
Pro Forma Net Debt (US\$M)	61.6	
Enterprise Value	87.3	
Div Yield	0%	
FYE	31-Mar	

Key Financial Metrics

Medexus Pharma Inc. (US\$M)	F2020A	F2021A	F2022A	FQ123A	FQ223	FQ323	FQ423E	F2023E	FQ124E	FQ224E	FQ324E	FQ424E	F2024E
Revenue	55.5	79.7	76.7	23.0	27.7	28.7	28.3	107.7	28.7	31.2	31.2	30.7	121.8
<i>Growth y/y</i>	64%	44%	(4%)	33%	55%	35%	39%	40%	25%	13%	8%	9%	13%
<i>Consensus Revenue</i>							28.3	108.2	28.9	30.9	31.6	30.0	118.1
Gross Profit	34.6	47.5	43.7	14.4	17.6	17.4	17.0	66.4	17.1	18.6	19.0	18.9	73.5
<i>Gross Margin</i>	62%	60%	57%	62%	64%	60%	60%	62%	59%	60%	61%	61%	60%
<i>Consensus Gross Profit</i>							16.3	60.3	15.7	17.0	17.5	16.8	67.1
Adj. EBITDA	4.4	8.2	(3.9)	1.9	4.2	5.2	4.9	16.2	4.1	6.4	6.2	6.2	23.0
<i>Adj. EBITDA Margin</i>	8%	10%	(5%)	8%	15%	18%	17%	15%	14%	21%	20%	20%	19%
<i>Adj. EBITDA Margin Expansion y/y</i>		225 bps	-1539 bps	3672 bps	2642 bps	917 bps	1194 bps	2017 bps	608 bps	544 bps	180 bps	308 bps	386 bps
<i>Consensus Adj. EBITDA</i>							4.3	15.5	4.3	5.3	6.0	4.8	19.9
EPS	(\$0.97)	(\$0.50)	(\$1.23)	(\$0.18)	(\$0.14)	(\$0.04)	(\$0.07)	(\$0.43)	(\$0.05)	\$0.06	\$0.04	\$0.09	\$0.14
<i>Consensus EPS</i>							(\$0.06)	(\$0.33)	\$0.01	(\$0.00)	\$0.04	\$0.02	(\$0.03)

Comparables

Name	Ticker	Price	Mkt Cap	EV (US\$M)		Returns				EV/Sales			EV/EBITDA		
		(Local Currency)	(US\$M)	FD	1 M	3 M	YTD	1 Year	C2021A	C2022A	C2023E	C2021A	C2022A	C2023E	
Medexus Pharma Inc.	MDP	\$1.59	26	87	(6%)	(21%)	(24%)	(50%)	1.2x	0.9x	0.7x	NA	7.0x	4.0x	

Canadian Specialty Pharmaceutical Comps

Knight Therapeutics	GUD	\$4.65	379	288	(7%)	(10%)	(9%)	(11%)	1.5x	1.4x	1.3x	11.2x	8.3x	9.2x
HLS Therapeutics	HLS	\$6.37	152	229	(27%)	(37%)	(36%)	(58%)	3.8x	3.6x	3.1x	9.8x	9.2x	9.3x
Theratechnologies	TH	\$1.09	78	110	(2%)	(20%)	(9%)	(64%)	1.6x	1.4x	1.2x	NA	NA	131.6x
BioSynt	RX	\$7.60	68	47	3%	0%	7%	(23%)	2.1x	2.3x	2.1x	7.1x	8.3x	6.9x
Cipher Pharmaceuticals	CPH	\$3.30	62	33	(13%)	(11%)	(13%)	39%	1.5x	1.6x	1.5x	2.4x	2.7x	2.6x
Valeo Pharma	VPH	\$0.50	31	69	(7%)	(7%)	(11%)	(16%)	5.5x	2.5x	1.4x	NA	NA	NA
Canadian Comps Average (excl. outlier)					(9%)	(14%)	(12%)	(22%)	2.7x	2.1x	1.8x	7.6x	7.1x	7.0x
Canadian Comps Median (excl. outlier)					(7%)	(10%)	(10%)	(20%)	1.8x	2.0x	1.4x	8.4x	8.3x	8.1x

US Specialty Pharmaceutical Comps

Pacira BioSciences	PCRX	\$41.60	1,916	2,391	4%	13%	8%	(43%)	4.4x	3.6x	3.3x	14.8x	10.7x	8.7x
Amneal Pharmaceuticals	AMRX	\$1.39	213	2,941	(7%)	(35%)	(28%)	(68%)	1.4x	1.3x	1.3x	6.5x	5.9x	5.7x
Amphastar Pharmaceuticals	AMPH	\$40.19	2,104	2,030	13%	43%	44%	(2%)	4.6x	4.1x	3.7x	21.3x	15.0x	12.4x
Innoviva	INVA	\$11.77	802	1,055	9%	(12%)	(11%)	(38%)	2.7x	3.1x	3.8x	2.8x	4.6x	7.9x
US Comps Average (excl. outlier)					5%	2%	3%	(38%)	3.3x	3.0x	3.0x	11.4x	9.0x	8.7x
US Comps Median (excl. outlier)					7%	0%	(1%)	(41%)	3.6x	3.4x	3.5x	10.7x	8.3x	8.3x

Medexus Pharma Inc.					(6%)	(21%)	(24%)	(50%)	1.2x	0.9x	0.7x	NA	7.0x	4.0x
North American Comps Average (excl. outlier)					(3%)	(8%)	(6%)	(29%)	2.9x	2.5x	2.3x	9.5x	8.1x	7.8x
North American Comps Median (excl. outlier)					(4%)	(10%)	(10%)	(31%)	2.4x	2.4x	1.8x	8.4x	8.3x	8.3x

Source: Consensus Data, Chart - CapIQ, Historical Data - Company Filings, Forecasts / Estimates - Echelon Capital Markets

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Company: Medexus Pharmaceuticals Inc. | TSX:MDP

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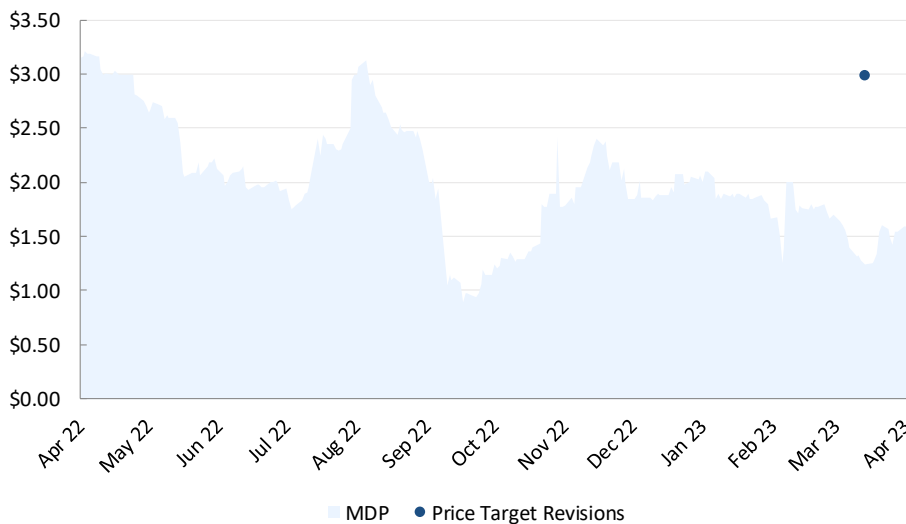
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Does the Analyst or any member of the Analyst's household have a financial interest in the securities of the subject issuer? If Yes: 1) Is it a long or short position? None; and, 2) What type of security is it? N/A.	No
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Buy	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
Speculative Buy	The security is considered a BUY but in the analyst's opinion possesses certain operational and/or financial risks that are higher than average.
Hold	The security represents fair value and no material appreciation is expected over the next 12-18 month time horizon.
Sell	The security represents poor value and is expected to depreciate over the next 12 month time horizon.
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Dropped Coverage	Applies to former coverage names where a current analyst has dropped coverage. Echelon Wealth Partners will provide notice to investors whenever coverage of an issuer is dropped.

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Recommendation Hierarchy	Buy	Speculative Buy	Hold	Sell	Under Review	Restricted	Tender
Number of recommendations	29	44	5	0	10	2	2
% of Total (excluding Restricted)	33%	50%	6%	0%	11%		
Number of investment banking relationships	13	22	0	0	6	2	1
% of Total (excluding Restricted)	32%	54%	0%	0%	15%		

PRICE CHART, RATING & PRICE TARGET HISTORY
Medexus Pharmaceuticals Inc. (TSX:MDP)


Date	Target (C\$)	Rating
24 Mar 2023	\$3.00	Speculative Buy

Coverage Initiated: Mar 24, 2023

Data sourced from: CapIQ

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