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Antibe Therapeutics Inc.

(V.ATE - TSX)

V.ATE: Part 1 of Phase 2b Dose-Ranging, Efficacy Study of ATB-346 Underway…

Based on our probability adjusted DCF model that takes into account potential future revenues from ATB-346 along with Citagenix Inc., ATE.V is valued at CAD$1.80 per share. This model is highly dependent upon continued clinical success of ATB-346 along with the global growth strategy for Citagenix and will be adjusted accordingly based upon future clinical results and the company's execution.

Current Price (11/08/2018)	CAD$0.29
Valuation	**CAD$1.80**

OUTLOOK

Antibe Therapeutics Inc. (ATE.V) is developing safer nonsteroidal anti-inflammatory drugs (NSAIDs) based on the company's proprietary hydrogen sulfide releasing technology. The company has completed a Phase 2b gastrointestinal safety study of the lead compound, ATB-346, which showed a significantly reduced rate of ulceration compared to naproxen (2.5% vs. 42.1%). The company recently received approval to initiate a dose-ranging study in healthy volunteers to better understand the unique metabolic profile of ATB-346. This study will be followed by a Phase 2 efficacy study in patients with osteoarthritis to determine an optimal dose to move forward into Phase 3 testing.

SUMMARY DATA

52-Week High	**$0.79**
52-Week Low	**$0.08**
One-Year Return (%)	**222**
Beta	**-0.28**
Average Daily Volume (sh)	**681,020**
Shares Outstanding (mil)	**212**
Market Capitalization ($mil)	**$61**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**19**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using #Lin Estimate	**N/A**
P/E using #Lin Estimate	**N/A**

Risk Level	**High**
Type of Stock	**Small-Growth**
Industry	**Med-Drugs**

ZACKS ESTIMATES

Revenue
(In millions of CAD$)

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2018	2.3 A	1.8 A	2.2 A	2.2 A	8.5 A
2019	2.5 A	2.0 E	2.2 E	2.2 E	9.0 E
2020					10.0 E
2021					12.0 E

Earnings per Share

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2017	-$0.02 A	-$0.01 A	-$0.01 A	-$0.01 A	-$0.05 A
2018	-$0.01 A	-$0.01 E	-$0.01 E	-$0.01 E	-$0.04 E
2019					-$0.02 E
2020					-$0.02 E

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WHAT'S NEW

Business Update

Approval to Initiate Phase 2b Dose-Ranging Efficacy Study

In October 2018, Antibe Therapeutics, Inc. (ATE.V) announced that it received approval from Health Canada to initiate the first part of a Phase 2b dose-ranging study for ATB-346. ATB-346 is a hydrogen sulfide (H_2S) releasing form of naproxen, a non-steroidal anti-inflammatory drug (NSAID), with the goal being to reduce the known gastrointestinal (GI) side effects of NSAIDs without altering the drugs ability to reduce inflammation and pain.

The first part of the Phase 2b study is a metabolism study in order to better understand the unique metabolic profile of ATB-346. This will be followed by a Phase 2 dose-ranging efficacy study. The metabolism study is investigating the principle metabolites of ATB-346 in approximately 24 healthy volunteers. We anticipate this study completing in December 2018. Based on the results of that study, the company will perform a randomized, double blind, placebo controlled efficacy trial with approximately 200-250 osteoarthritis (OA) patients. Three different doses (to be determined based on the findings of the metabolism study) of ATB-346 will be evaluated to determine the lowest effective dose. Topline results from this study should be available in the second quarter of 2019.

Licensing Deal in South Korea

Antibe recently announced an exclusive licensing agreement with Kwang Dong Pharmaceutical Co., Ltd. for ATB-346 in South Korea. The agreement calls for Antibe to receive up to CAD$13 million in development and commercialization milestones, which includes an upfront payment of CAD$1.3 million, and a double-digit royalty on net sales of ATB-346 in South Korea. Perhaps most importantly, the deal provides additional third-party validation of ATB-346's value and its underlying technology.

This is the third regional licensing deal signed for ATB-346. In 2015, Antibe signed a distribution agreement with Knight Therapeutics Inc. that granted exclusive commercial rights to Knight for Antibe's drug candidates in Canada, Israel, Romania, Russia, and sub-Saharan Africa. In 2017, a distribution agreement was signed with Laboratories Acbel SA, a subsidiary of one of Greece's largest pharmaceutical companies, which includes Albania, Algeria, Bulgaria, Greece, Jordan, Romania, and Serbia. The agreement with Acbel included an upfront payment of CAD$1.1 million and a 5% royalty on net sales.

Business Development Advisory Board

In an effort to increase the potential for a transformational deal involving ATB-346 and a multinational pharmaceutical company, Antibe has assembled a business development advisory board, which consists of accomplished pharmaceutical executives with experience in these types of transactions. Included in this board are:

- Mr. Angus Russell, who retired as CEO of Shire in 2013 following a five-year stint. He is currently serving as Chairman of Mallinckrodt and Revance Therapeutics along with serving on the Board at TherapeuticsMD.

- Mr. Dominique Monnet, who recently served as Senior Vice President and Chief Marketing Officer of Alexion and prior to that as a senior business executive at Amgen. Mr. Monnet is currently President of PDL BioPharma.

- Mr. Andrew Powell, who played a key role in a number of biopharmaceutical deals exceeding $6 billion each, including the sale of Medivation to Pfizer, the sale of InterMune to Roche, and the sale of ImClone to Eli Lilly. Mr. Powell currently serves on the Board of Directors at Aclaris Therapeutics and Landec.

- Mr. Rami Batal, who was most recently a senior business development officer for Purdue Canada and is currently the Vice President, Medical Research at Canopy Growth.

We view the formation of the business development board as an important step in the development cycle of ATB-346 and it is nice to see that Antibe will be able to call on a group of knowledgeable business executives as the partnering process gets underway. The fact that Antibe was able to attract a group of that caliber speaks highly of the company's technology and its potential.

Valuation

We believe the prospects for ATB-346 and the rest of Antibe's pipeline are very good. We model for approval of ATB-346 in OA followed by approval for multiple indications similar to celecoxib. ATB-346 has blockbuster potential and we believe sales in excess of $1 billion are possible in both the U.S. and E.U. with the data from the Phase 2 study lending support to that thesis. In addition, the potential for sales in excess of $1 billion is supported by the fact that Celebrex® (celeoxib) had peak sales of $2.9 billion even with a 'black box' warning regarding an increased risk of cardiovascular events with long-term use. We are confident that Antibe will be able to enter into a partnership with a global pharmaceutical company (most likely following completion of the upcoming metabolism and efficacy trials) and we currently model for a 12% royalty with associated milestone payments.

Our current valuation for Antibe is CAD$1.80. Following an initial rise after release of the Phase 2b GI safety data the stock has pulled back and we believe there remains the potential for considerable upside, particularly with data from the dose-ranging efficacy and metabolism studies still to come over the next 6-12 months.

PROJECTED FINANCIALS

Antibe Therapeutics Inc.
Income Statement

Antibe Therapeutics, Inc. Fiscal Year Ends Mar. 31 / in Canadian dollars	FY 2018 E	Q1 '19 A	Q2 '19 E	Q3 '19 E	Q4 '19 E	FY 2019 E	FY 2020 E	FY 2021 E
ATB-346 (royalty)	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
YOY Growth	*#DIV/0!*	-	-	-	-	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*
ATB-352 (royalty)	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
YOY Growth	-	-	-	-	-	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*
Citagenix	**$8.5**	**$2.5**	**$2.0**	**$2.2**	**$2.2**	**$9.0**	**$10.0**	**$12.0**
Licensing / Development	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Total Revenues	$8.5	$2.5	$2.0	$2.2	$2.2	$9.0	$10.0	$12.0
YOY Growth	*-6.0%*	*12.0%*	*11.4%*	*0.0%*	*-0.4%*	*5.5%*	*11.4%*	*20.0%*
Cost of Goods Sold	$5.1	$1.6	$1.1	$1.2	$1.3	$5.2	$5.7	$6.9
Product Gross Margin	*39.7%*	*38.7%*	*43.2%*	*46.3%*	*40.9%*	*42.1%*	*43.0%*	*42.5%*
SG&A	$6.2	$2.2	$1.6	$1.6	$1.6	$7.0	$6.7	$7.0
% SG&A	*73.2%*	*86.4%*	*81.8%*	*70.1%*	*72.7%*	*78.0%*	*67.0%*	*58.3%*
R&D	$2.7	$1.0	$0.5	$0.5	$0.5	$2.5	$2.3	$2.5
% R&D	*32.2%*	*40.6%*	*23.2%*	*23.3%*	*22.7%*	*28.0%*	*23.0%*	*20.8%*
Stock-based compensation	$0.7	$0.2	$0.2	$0.1	$0.3	$0.8	$1.0	$1.1
% Stock-based	*8.1%*	*6.0%*	*10.1%*	*4.2%*	*13.6%*	*8.4%*	*10.0%*	*9.2%*
Amortization and Depreciation	$0.4	$0.1	$0.1	$0.1	$0.1	$0.4	$0.5	$0.5
% Other	*4.4%*	*3.8%*	*4.6%*	*4.4%*	*5.9%*	*4.6%*	*5.0%*	*4.2%*
Operating Income	($6.7)	($2.5)	($1.5)	($1.2)	($1.6)	($6.9)	($5.2)	($4.9)
Operating Margin	*-78.3%*	*-98.1%*	*-76.6%*	*-55.7%*	*-74.1%*	*-76.9%*	*-52.0%*	*-40.8%*
Interest Income / Net	($1.0)	($0.2)	($0.1)	($0.2)	($0.2)	($0.7)	($0.8)	($0.8)
Pre-Tax Income	($7.7)	($2.7)	($1.7)	($1.5)	($1.8)	($7.6)	($6.0)	($5.7)
Taxes	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($7.4)	($2.7)	($1.5)	($1.5)	($1.7)	($7.6)	($6.0)	($5.7)
Reported EPS	($0.05)	($0.01)	($0.01)	($0.01)	($0.01)	($0.04)	($0.02)	($0.02)
Fully Diluted Shares	151.6	204.8	212.0	220.0	225.0	215.5	250.0	280.0

Source: David Bautz, PhD - Zacks Investment Research, Inc.

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