Zacks Small-Cap Research
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Edesa Biotech, Inc. (EDSA-NASDAQ)

EDSA: Secures up to CAD$23 Million to Fund Development of EB05…

Based on our probability adjusted DCF model that takes into account potential future revenues of EB01, EB02, and EB05, EDSA is valued at $30.00/share. This model is highly dependent upon continued clinical success of the company's pipeline and will be adjusted accordingly based on future clinical results.

Current Price (10/19/23)	$4.10
Valuation	**$30.00**

OUTLOOK

On October 12, 2023, Edesa Biotech, Inc. (EDSA) announced a commitment of up to CAD$23 million from the Government of Canada to help cover expenses for the Phase 3 portion of the ongoing Phase 2/3 clinical trial of EB05 (paridiprubart). The funds will be used toward study expenses, including hospital and physician expenditures, along with scale-up manufacturing of drug product if the program is successful.

On the same day, the company announced a $10 million revolving credit facility agreement with Dr. Par Nijhawan, the company's CEO and Founder. Edesa will have access to $3.5 million of the credit facility immediately and other advances under the revolving line of credit will be tied to a borrowing base consisting of eligible grant reimbursement receivables, future potential license fee receivables, and any other accounts receivables.

SUMMARY DATA

52-Week High	**$18.40**
52-Week Low	**$2.70**
One-Year Return (%)	**-39.04**
Beta	**0.55**
Average Daily Volume (sh)	**225,363**
Shares Outstanding (mil)	**3**
Market Capitalization ($mil)	**$12**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**31**
Insider Ownership (%)	**27**
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 2022 Estimate	**N/A**
P/E using 2023 Estimate	**N/A**

Risk Level	**Above Avg.**
Type of Stock	**Small-Value**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Dec)	Q2 (Mar)	Q3 (Jun)	Q4 (Sep)	Year (Sep)
2022	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2023	0.0 A	0.0 A	0.0 A	0.0 E	0.0 E
2024					0.0 E
2025					0.0 E

Earnings per Share

	Q1 (Dec)	Q2 (Mar)	Q3 (Jun)	Q4 (Sep)	Year (Sep)
2022	-$2.28 A	-$2.31 A	-$2.62 A	-$0.83 A	-$7.37 A
2023	-$0.90 A	-$0.82 A	-$0.68 A	-$0.71 E	-$3.09 E
2024					-$6.00 E
2025					-$6.03 E

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WHAT'S NEW

Business Update

Up to CAD$23 Million to Fund Development of EB05

On October 12, 2023, Edesa Biotech, Inc. (EDSA) announced it has secured a commitment of up to CAD$23 million from the Government of Canada to help cover expenses for the Phase 3 portion of the Phase 2/3 clinical trial for EB05, the company's lead development candidate that is currently being tested as a therapy for hospitalized patients with acute respiratory distress syndrome (ARDS) due to SARS-CoV-2 infection in the U.S. and Canada. The company is currently evaluating how best to harmonize the protocols between the U.S. and Canada, which will include pathways for evaluation in all-cause ARDS. Hospitalizations due to COVID-19 have become more seasonal in nature, with increased rates anticipated in the fall and winter.

The Strategic Innovation Fund (SIF) funding will be applied toward study expenses, including hospital and physician expenditures, along with scale-up manufacturing for commercial drug product if development is successful. It will also allow for an expansion of the number of hospitals in the trial so that the company can fine-tune for places with the highest hospitalization rates. The SIF is an initiative by the Canadian government to expand and grow the life sciences sector and money is allocated from the SIF following a competitive review process.

EB05 is an inhibitor of Toll-like receptor 4 (TLR4) signaling through dimer inhibition, which is an important mediator of inflammation caused by a variety of pathogen-associated molecular patterns (PAMPs) and host-derived damage-associated molecular patterns (DAMPs). The company previously announced results of an *in vitro* study of EB05 showing that the compound inhibits the response to TLR4 agonists including lipopolysaccharide (LPS), the SARS-CoV-2 spike protein, the DAMP high mobility group box 1 (HMGB1), along with the NF-κB response to infection by both viral and bacterial pathogens. Those results support testing EB05 as a general therapy for ARDS caused by multiple different types of pathogens.

Last year, Edesa announced final results from the Phase 2 portion of the ongoing Phase 2/3 clinical trial of EB05. At the 28-day timepoint, patients treated with EB05 in addition to standard of care (SOC) had a mortality rate of 7.7% compared to 40% for patients treated with placebo and SOC (P=0.04). Using the Cox's Proportional Hazard Model, this survival benefit translated to an 84.0% reduction in the risk of dying for patients treated with EB05 plus SOC compared to placebo plus SOC at 28 days.

$10 Million Revolving Line of Credit

In addition to the SIF funding, the company also announced it entered into a binding commitment letter in regards to a $10 million revolving credit facility with Dr. Par Nijhawan, the company's Chief Executive Officer and Founder. The letter provides for a revolving line of credit of up to $10 million, with $3.5 million available immediately upon execution of the agreement. Advances made under the revolving credit facility are tied to a borrowing base consisting of eligible grant reimbursement receivables, future potential license fee receivables, and any other accounts receivable.

Conclusion

The CAD$23 million in funding from the Government of Canada is validation of the results that Edesa has presented on EB05 and will help to accelerate its development. As the fundraising environment for small-cap biotech companies continues to be difficult, the $10 million line of credit the company now has access to will be a tremendous advantage and puts the company in a solid financial position. Edesa recently enacted a 1-for-7 reverse stock split, which has reduced the number of outstanding shares to approximately 3.1 million. Following the reverse split, our valuation is now at $30 per share.

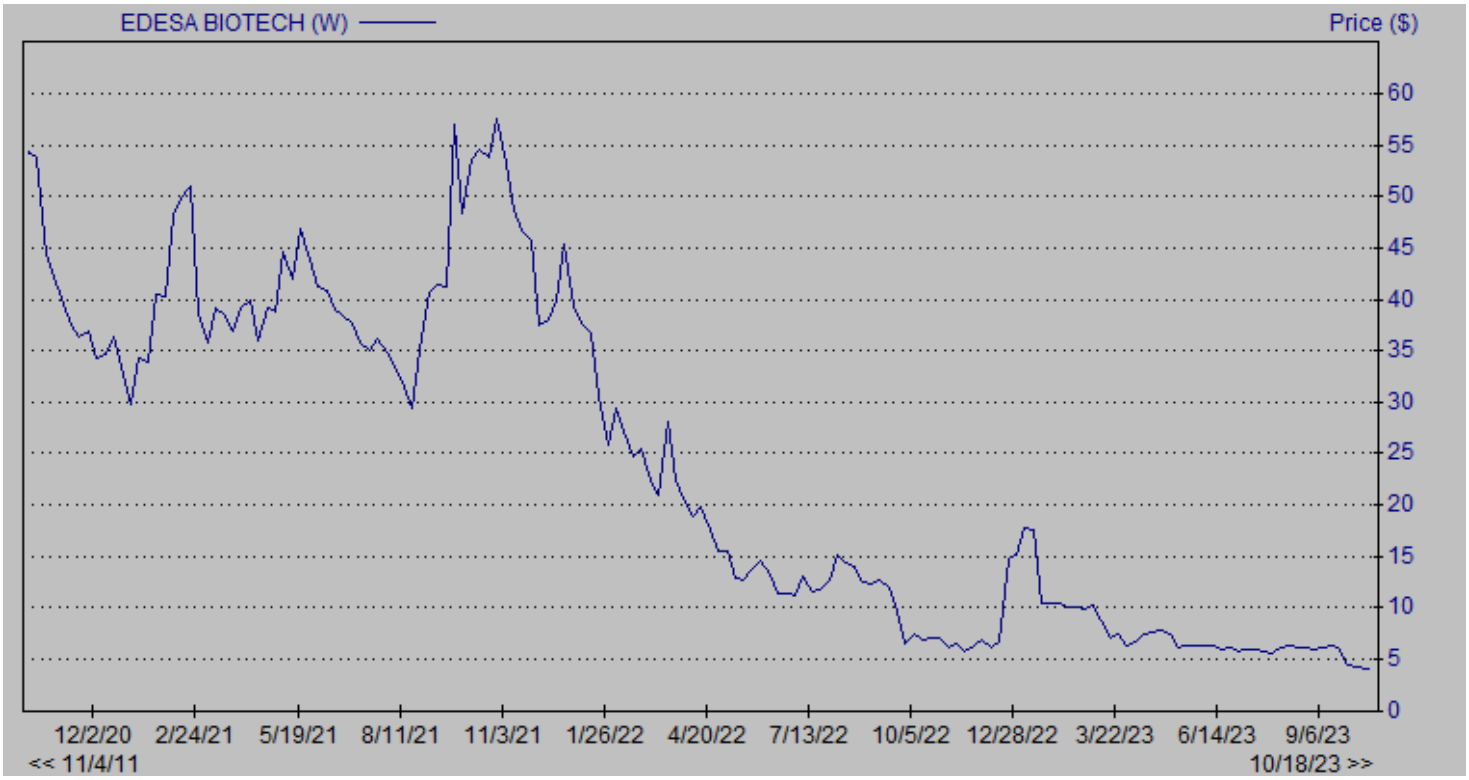
PROJECTED FINANCIALS

Edesa Biotech, Inc.	FY2022 A	Q1FY23 A	Q2FY23 A	Q3FY23 A	Q4FY23 E	FY2023 E	FY2024 E	FY2025 E
EB01	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
EB05	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other Income	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Revenues	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Cost of Sales	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Product Gross Margin	-	-	-	-	-	-	-	-
Research & Development	$13.3	$1.4	$1.5	$1.0	$1.2	$5.0	$15.0	$17.0
General & Administrative	$5.0	$1.0	$1.0	$1.0	$1.0	$4.0	$6.0	$6.5
Other (Income) Expense	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating Income	($18.4)	($2.4)	($2.4)	($2.1)	($2.2)	($9.1)	($21.0)	($23.5)
Operating Margin	-	-	-	-	-	-	-	-
Non-Operating Expenses (Net)	$0.8	$0.0	$0.1	$0.1	$0.0	$0.2	$0.0	$0.0
Pre-Tax Income	($17.5)	($2.4)	($2.3)	($2.0)	($2.2)	($8.9)	($21.0)	($23.5)
Income Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	**($17.5)**	**($2.4)**	**($2.3)**	**($2.0)**	**($2.2)**	**($8.9)**	**($21.0)**	**($23.5)**
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($1.05)**	**($0.13)**	**($0.12)**	**($0.10)**	**($0.10)**	**($0.44)**	**($0.70)**	**($0.67)**
YOY Growth	-	-	-	-	-	-	-	-
Basic Shares Outstanding	16.7	18.4	20.0	20.5	21.0	20.0	30.0	35.0

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

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