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Antibe Therapeutics Inc. (T.ATE - TSX)

T.ATE: Signs Licensing Deal for Otenaproxesul in China…

Based on our probability adjusted DCF model that takes into account potential future revenues from otenaproxesul, ATE.T is valued at CAD$30.00 per share. This model is highly dependent upon continued clinical success of otenaproxesul and will be adjusted accordingly based upon future clinical results and the company's execution.

Current Price (02/16/2021)	CAD$5.88
Valuation	**CAD$30.00**

OUTLOOK

On February 9, 2021, Antibe Therapeutics Inc. (ATE.T) announced a licensing deal with Nuance Pharma for development and commercialization of otenaproxesul, the company's lead development product, in China, Hong Kong, Taiwan, and Macau. The deal includes a $20 million upfront payment, $80 million in potential development and sales milestones, and a double-digit royalty. Nuance will be responsible for clinical and regulatory costs for the region and Antibe and Nuance have established a structure for collaborating on the clinical development of otenaproxesul to align with Antibe's global regulatory strategy. This is the largest licensing deal thus far for otenaproxesul and is an encouraging sign as the company focuses on monetization in the major global markets.

SUMMARY DATA

52-Week High	**$8.90**
52-Week Low	**$3.05**
One-Year Return (%)	**-10.91**
Beta	**-0.11**
Average Daily Volume (sh)	**133,930**
Shares Outstanding (mil)	**39**
Market Capitalization ($mil)	**$229**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**13**
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	**Above Avg.**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of CAD$)

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2020	2.8 A	2.3 A	2.6 A	2.3 A	10.0 A
2021	1.2 A	2.9 A	2.8 A	2.5 E	9.4 E
2022					11.0 E
2023					11.0 E

Earnings per Share

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2020	-$0.13 A	-$0.19 A	-$0.15 A	-$0.21 A	-$0.71 A
2021	-$0.16 A	-$0.23 A	-$0.17 A	-$0.13 E	-$0.66 E
2022					-$0.41 E
2023					-$0.39 E

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WHAT'S NEW

Business Update

Licensing Deal in China

On February 9, 2021, Antibe Therapeutics, Inc. (ATE.T) announced a licensing deal for the company's lead development compound, otenaproxesul (the nonproprietary name for ATB-346), with Nuance Pharma that covers China, Taiwan, Hong Kong, and Macau.

Under the terms of the deal, Antibe will receive a $20 million upfront payment and be eligible to receive up to $80 million in regulatory and sales milestones along with a double-digit royalty on sales. Nuance will be responsible for clinical and regulatory costs for the region and the two companies put a structure in place for collaborating on otenaproxesul's clinical development in the region so that it aligns with Antibe's global regulatory strategy.

Nuance is a Shanghai-based biopharmaceutical company focused on licensing, developing, and commercializing innovative therapies that address critical unmet needs in China and other emerging Asia Pacific markets. It is an excellent partner for Antibe in that region based on the company's understanding of the Chinese market and their expansive commercial, clinical, and regulatory abilities.

Asia represents an exciting opportunity for Antibe. The market for pain management in China has doubled in the past five years, mostly through increased demand for non-steroidal anti-inflammatory drugs (NSAIDs) like otenaproxesul. The countries represented in this licensing deal represent approximately 10% of the global pharmaceutical market.

Otenaproxesul Phase 3 Program on Track for 2H21 Initiation

Otenaproxesul is being developed as a solution to the dose-related gastrointestinal (GI) side effects associated with NSAIDs. It uses naproxen as a base molecule with a hydrogen sulfide moiety covalently attached. Hydrogen sulfide (H_2S) is an important gasotransmitter, a gas that serves an important signaling molecule in the body.

In preparation for filing an IND with the FDA to initiate the Phase 3 program for otenaproxesul, Antibe has finished eight Phase 3-IND enabling animal studies and has two more to complete. In addition, the company remains on track with the chemistry, manufacturing and controls (CMC) and the manufacturing partner is in the final stages of tablet production.

We anticipate the IND being submitted in the first quarter of 2021, however due to the ongoing COVID-19 pandemic we don't anticipate the first Phase 3 trial initiating until the second half of 2021. In the interim, Antibe will be conducting an absorption, metabolism, and excretion (AME) study, which is set to begin in Canada in the first half of 2021. This six-week study is designed to provide additional information regarding the low end of the dose-exposure curve to aid in dose selection for the Phase 3 program along with pharmacokinetic data required for marketing approval.

Addition to Partnering Advisory Team

In January 2021, Antibe announced the appointment of Dr. Don Haut to its Partnering Advisory Team. Dr. Haut was most recently the Chief Business Officer of AskBio. In 2020, Dr. Haut was the lead on four transactions before taking a lead role in AskBio's $4 billion acquisition by Bayer AG. In all, Dr. Haut has been involved in transactions totaling over $8 billion during his career in academic science, consulting, sales management, and business development. We believe Dr. Haut is an excellent addition to the Partnering Advisory Team and his vast experience should prove valuable as Antibe looks to capitalize on its platform technology.

Financial Update

On February 13, 2021, Antibe announced financial results for the third quarter of fiscal year 2021 that ended December 31, 2020. The company reported revenues of CAD$2.8 million for the three months ending December 31, 2020 compared to revenues of CAD$2.6 million for the three months ending December 31, 2019.

General and administrative, selling and marketing, research and development, stock-based compensation, and amortization and depreciation totaled CAD$7.1 million for the third quarter of fiscal year 2021 compared to CAD$5.0 million for the third quarter of fiscal year 2020. The increase was primarily related to the following:

- G&A expenses were CAD$2.0 million in 3QFY21 compared to CAD$1.5 million in 3QFY20. The increase was primarily due to higher salaries and wages, professional and consulting fees, and office expenses.
- Selling and marketing costs were CAD$0.9 million in 3QFY21 compared to CAD$1.0 million in 3QFY20. The decrease was due to lower salaries and commissions, travel, and entertainment costs.
- R&D expenses were CAD$3.4 million in 3QFY21 compared to CAD$1.6 million in 3QFY20. The increase was primarily due to higher development costs for otenaproxesul and professional and consulting fees.
- Stock-based compensation in both 3QFY21 and 3QFY20 was CAD$0.8.
- Amortization and depreciation was CAD$0.1 million in both 3QFY21 and 3QFY20.

As of December 31, 2020, Antibe reported cash and cash equivalents of approximately CAD$15.4 million, however this does not include the $20 million upfront payment received from the Nuance licensing deal. As of December 31, 2020, the company had approximately 38.8 million shares outstanding and, when factoring in stock options, warrants, and restricted stock units, a fully diluted share count of approximately 45.9 million.

Conclusion

The deal that Antibe signed with Nuance is a very encouraging development as the company will begin increasing its efforts regarding licensing deals in the major global markets. The terms of the deal with Nuance were very favorable for Antibe, and the $20 million upfront payment will help to boost the balance sheet as the company works toward initiating the Phase 3 program for otenaproxesul in the second half of 2021. We look forward to updates on the Phase 3 program as the year progresses, with the next updates likely to involve the submission of the IND to the FDA in the first quarter of 2021 and an ‘End-of-Phase 2’ meeting with the FDA in the second half of 2021. After incorporating the Nuance deal into our model our valuation has increased to CAD$30 and investors could utilize the current disconnect between the share price and our valuation to build or add to a position ahead of multiple catalysts later in 2021.

PROJECTED FINANCIALS

Antibe Therapeutics Inc.
Income Statement

Antibe Therapeutics, Inc. Fiscal Year Ends Mar. 31 / in Canadian dollars	FY 2020 A	Q1 '21 A	Q2 '21 A	Q3 '21 A	Q4 '21 E	FY 2021 E	FY 2022 E	FY 2023 E
Otenaproxesul	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
ATB-352 (royalty)	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Citagenix	**$10.0**	**$1.2**	**$2.9**	**$2.8**	**$2.5**	**$9.4**	**$11.0**	**$11.0**
Licensing / Development	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Total Revenues	$10.0	$1.2	$2.9	$2.8	$2.5	$9.4	$11.0	$11.0
YOY Growth	*4.7%*	*-55.5%*	*26.3%*	*7.0%*	*6.6%*	*-1.6%*	*17.2%*	*0.0%*
Cost of Goods Sold	$6.1	$0.7	$1.9	$1.6	$1.6	$5.9	$6.9	$6.9
Product Gross Margin	*38.9%*	*41.7%*	*32.2%*	*42.1%*	*36.0%*	*37.4%*	*37.3%*	*37.3%*
SG&A	$9.5	$2.2	$3.1	$2.8	$2.6	$10.8	$9.3	$9.5
R&D	$8.1	$2.1	$4.8	$3.4	$2.4	$12.7	$9.0	$10.0
Stock-based compensation	$3.4	$1.0	$0.8	$0.8	$0.8	$3.0	$3.0	$3.0
Impairment of goodwill	$1.3	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Amortization and Depreciation	$0.6	$0.1	$0.1	$0.1	$0.1	$0.5	$0.5	$0.5
% Other	*5.7%*	*11.2%*	*4.8%*	*3.6%*	*4.9%*	*5.3%*	*4.5%*	*4.5%*
Operating Income	($18.9)	($4.9)	($7.9)	($5.9)	($5.0)	($23.5)	($17.7)	($18.9)
Operating Margin	*-189.4%*	*-400.2%*	*-276.1%*	*-212.6%*	*-200.9%*	*-250.1%*	*-160.9%*	*-171.8%*
Interest Income / Net	($0.4)	($0.0)	$0.0	$0.0	($0.2)	($0.8)	($0.8)	($0.8)
Pre-Tax Income	($19.3)	($4.9)	($7.9)	($5.9)	($5.2)	($24.3)	($18.5)	($19.7)
Taxes	($0)	$0	$0	$0	$0	$0	($0)	($0)
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($19.3)	($4.9)	($7.9)	($5.9)	($5.2)	($24.3)	($18.5)	($19.7)
Loss from Discontinued Operations	$0.0	$0.0	($1.0)	($0.6)	$0.0	($1.5)	$0.0	$0.0
Comprehensive Loss	($19.3)	($4.9)	($8.8)	($6.5)	($5.2)	($25.5)	($18.5)	($19.7)
Reported EPS	($0.71)	($0.16)	($0.23)	($0.17)	($0.13)	($0.66)	($0.41)	($0.39)
Fully Diluted Shares	27.3	30.3	38.6	38.7	39.0	36.6	45.0	50.0

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

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