

## OVERWEIGHT: Launch funding in place

We maintain our OVERWEIGHT rating on Oncosil Medical following recent efforts to raise approximately \$19m. The new funding will be applied to market preparation activities in European, APAC and ASEAN countries. The company will also expand its activities in the USA, including a potential humanitarian approval and a new, pivotal clinical trial. The post-marketing surveillance program Oncosil committed to in Europe could develop into a strong asset if clinical outcomes from commercial doses mirror those seen in the PanCO trial. Consistent resection rates north of 20% could drive solid early adoption, feeding real world data into the US regulatory campaign. New target price of \$0.40/sh adjusts for dilution.

### Key points

**Capital overhang eased ahead of commercial launches.** Oncosil has raised ~\$19m to gear up for sales. With CE Mark obtained last month, we expect first sales from UK/Europe in 4Q followed by approvals in Hong Kong, Singapore and Australia. COVID-19 impact should be minimal with the next ~6 months dedicated to logistics development, on-boarding early adopters, market access negotiations and regulatory prosecution in the USA.

**View on the clinical asset.** OncoSil™ has much to offer if large, well-designed clinical trials confirm a benefit over and above standard of care chemotherapy for locally advanced pancreatic cancer (LAPC). Resection rates are an important differentiator in that setting because conversion to surgery can triple overall survival. Although the evidence base is small, OncoSil™ appears competitive against aggressive induction chemotherapy, stereotactic body radiation therapy and irreversible electroporation.

**Busy agenda in USA.** We assess strong potential for a humanitarian device exemption (HDE) which would allow market access for certain rare forms of bile duct cancer. OncoSil assesses an ~US\$80m market in that setting – their estimate is broadly consistent with peer BTG's experience treating liver cancer in the US under a HDE (generated ~US\$85m in sales). Oncosil will also engage FDA on the design of a large, randomised trial to eventually support a Pre-market Approval (PMA) application. Securing resection rates as that study's primary endpoint (in preference to overall survival) could save years in development time – potentially supporting a full LAPC approval in 2024 (Wilson's estimates).

**Valuation.** Our \$0.40/share price target is based on risked DCF and anticipated equity dilution. Further upside is available this year as OncoSil™ launches deliver sales and if US market access under HDE is achieved.

### Risks and catalysts listed on p.3 of this report

Earnings forecasts					
Year-end June (AUD)	FY18A	FY19A	FY20F	FY21F	FY22F
NPAT rep (\$m)	-8.5	-8.6	-5.9	-8.2	-10.7
NPAT norm (\$m)	-8.5	-8.6	-5.9	-8.2	-10.7
Consensus NPAT (\$m)			-6.8	-12.3	-11.9
EPS norm (cps)	-1.6	-1.4	-0.7	-1.0	-1.2
EPS growth (%)	-11.5	17.4	45.9	-30.8	-19.8
P/E norm (x)	-6.4	-7.7	-14.3	-10.9	-9.1
EV/EBITDA (x)	-5.3	-5.2	-7.6	-5.3	-4.1
FCF yield (%)	-12.9	-11.5	-9.3	-14.1	-16.4
DPS (cps)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0	0	0	0	0

Source: Company data, Wilsons estimates, S&P Capital IQ

### Wilson's Equity Research

Analyst(s) who own shares in the Company: n/a  
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Recommendation	OVERWEIGHT
12-mth target price (AUD)	\$0.40
Share price @ 08-May-20 (AUD)	\$0.11
Forecast 12-mth capital return	281.0%
Forecast 12-mth dividend yield	0.0%
<b>12-mth total shareholder return</b>	<b>281.0%</b>
Market cap	\$65m
Enterprise value	\$45m
Shares on issue	621m
Sold short	
ASX 300 weight	n/a
Median turnover/day	\$0.2m

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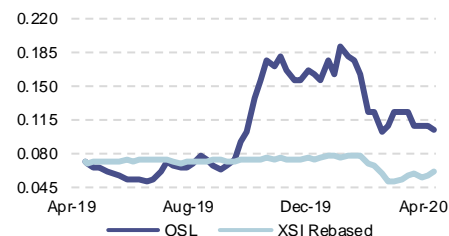
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FUNDAMENTAL  
INSIGHTS

### 12-mth price performance (\$)

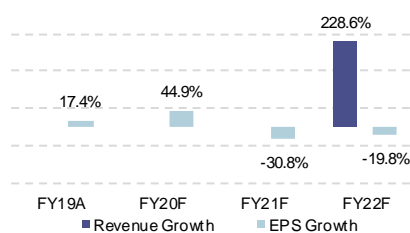


	1-mth	6-mth	12-mth
Abs return (%)	-16.0	-34.4	45.8
Rel return (%)	-23.1	-16.4	59.9

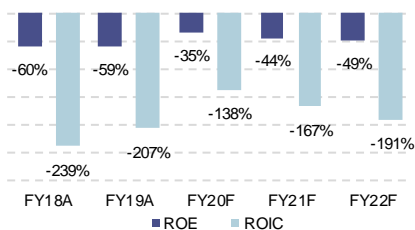
### Key changes

		01-Apr	After	Var %
NPAT:	FY20F	-5.9	-5.9	0.0%
norm	FY21F	-8.2	-8.2	N/A
(\$m)	FY22F	-10.7	-10.7	N/A
EPS:	FY20F	-0.7	-0.7	N/A
norm	FY21F	-0.9	-1.0	N/A
(cps)	FY22F	-1.2	-1.2	N/A
DPS:	FY20F	0.0	0.0	0.0%
(cps)	FY21F	0.0	0.0	0.0%
	FY22F	0.0	0.0	0.0%
Price target:		0.42	0.40	-5.0%
Rating:		O/W	O/W	

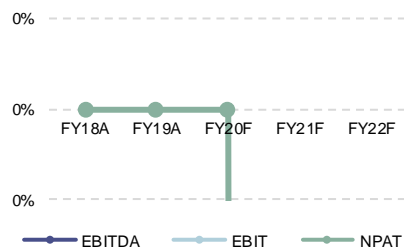
### Growth rates



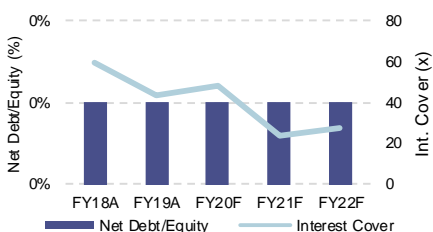
### Returns



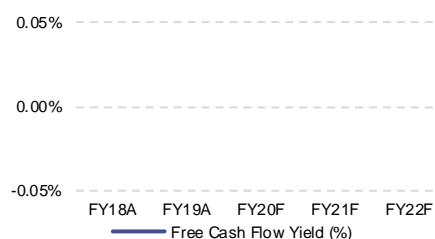
### Margin trends



### Solvency



### Free cash flow yield



### Interims (\$m)

	1H19A	2H19A	1H20A	2H20E
Sales revenue	0.0	0.0	0.0	0.0
EBITDA	-5.2	-3.5	-3.4	-2.5
EBIT	-5.3	-3.5	-3.5	-2.5
<b>Net profit</b>	<b>-5.1</b>	<b>-3.4</b>	<b>-3.4</b>	<b>-2.5</b>
<b>Norm EPS</b>	<b>-0.8</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.3</b>
EBIT/sales (%)				
Dividend (c)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0
Adj payout (%)	0.0	0.0	0.0	0.0

### Key assumptions

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F
Revenue Growth (%)								228.6
EBIT Growth (%)	-35.9	62.5	46.9	20.0	1.0	-31.7	43.2	29.5
NPAT Growth (%)	-31.7	65.6	47.1	21.7	0.3	-31.5	40.0	30.4
<b>EPS Growth (%)</b>	<b>-40.4</b>	<b>38.7</b>	<b>31.4</b>	<b>11.5</b>	<b>-17.4</b>	<b>-45.9</b>	<b>30.8</b>	<b>19.8</b>
EBIT / Sales (%)							-1,225.5	-483.0
Tax Rate (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>ROA (%)</b>	<b>-30.8</b>	<b>-42.3</b>	<b>-52.3</b>	<b>-54.8</b>	<b>-55.6</b>	<b>-34.2</b>	<b>-44.5</b>	<b>-49.6</b>
<b>ROE (%)</b>	<b>-30.1</b>	<b>-43.8</b>	<b>-56.3</b>	<b>-60.4</b>	<b>-59.4</b>	<b>-35.0</b>	<b>-43.7</b>	<b>-49.1</b>

### Financial ratios

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F
PE (x)	-13.0	-9.3	-7.1	-6.4	-7.7	-14.3	-10.9	-9.1
EV/EBITDA (x)	-15.0	-9.3	-6.3	-5.3	-5.2	-7.6	-5.3	-4.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	-0.3	-7.1	-9.5	-12.9	-11.5	-9.3	-14.1	-16.4
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### Profit and loss (\$m)

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F
Sales revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.7	2.3
EBITDA	-3.0	-4.9	-7.2	-8.6	-8.8	-6.0	-8.6	-11.1
Depn & amort	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>-3.0</b>	<b>-4.9</b>	<b>-7.2</b>	<b>-8.7</b>	<b>-8.8</b>	<b>-6.0</b>	<b>-8.6</b>	<b>-11.1</b>
Net interest expense	-0.2	-0.2	-0.2	-0.1	-0.2	-0.1	-0.4	-0.4
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities/pref divs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit (pre-sig items)</b>	<b>-2.9</b>	<b>-4.8</b>	<b>-7.0</b>	<b>-8.5</b>	<b>-8.6</b>	<b>-5.9</b>	<b>-8.2</b>	<b>-10.7</b>
Abns/exts/signif	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reported net profit</b>	<b>-2.9</b>	<b>-4.8</b>	<b>-7.0</b>	<b>-8.5</b>	<b>-8.6</b>	<b>-5.9</b>	<b>-8.2</b>	<b>-10.7</b>

### Cash flow (\$m)

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F
EBITDA	-3.0	-4.9	-7.2	-8.6	-8.8	-6.0	-8.6	-11.1
Interest & tax	2.8	0.0	0.0	0.0	0.0	-0.1	-0.4	-0.4
Working cap/other	0.1	0.3	1.1	0.2	1.2	0.2	-0.1	1.0
<b>Operating cash flow</b>	<b>-0.2</b>	<b>-4.6</b>	<b>-6.1</b>	<b>-8.4</b>	<b>-7.5</b>	<b>-5.9</b>	<b>-9.0</b>	<b>-10.5</b>
Maintenance capex	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.2	-0.2
<b>Free cash flow</b>	<b>-0.2</b>	<b>-4.6</b>	<b>-6.2</b>	<b>-8.4</b>	<b>-7.5</b>	<b>-6.1</b>	<b>-9.2</b>	<b>-10.7</b>
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Growth capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Invest/disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oth investing/finance flows	0.0	-0.5	3.4	-1.1	0.0	0.0	0.0	0.0
<b>Cash flow pre-financing</b>	<b>-0.2</b>	<b>-5.1</b>	<b>-2.7</b>	<b>-9.5</b>	<b>-7.5</b>	<b>-6.1</b>	<b>-9.2</b>	<b>-10.7</b>
Funded by equity	0.0	12.4	1.0	16.7	0.0	18.1	0.0	25.0
Funded by debt	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Funded by cash	0.2	-7.3	1.8	-7.2	7.5	-12.1	9.2	-14.3

### Balance sheet summary (\$m)

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F
Cash	2.5	9.8	8.0	15.2	7.7	19.8	10.6	24.9
Current receivables	0.1	2.6	3.5	4.5	3.8	3.2	4.0	4.0
Current inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Net PPE	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.5
Intangibles/capitalised	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total assets</b>	<b>7.4</b>	<b>15.9</b>	<b>11.8</b>	<b>19.9</b>	<b>11.7</b>	<b>23.4</b>	<b>15.2</b>	<b>29.7</b>
Current payables	0.2	1.0	1.5	1.6	0.8	0.2	0.2	0.4
Total debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities</b>	<b>0.4</b>	<b>1.1</b>	<b>1.7</b>	<b>1.7</b>	<b>1.0</b>	<b>0.4</b>	<b>0.4</b>	<b>0.6</b>
<b>Shareholder equity</b>	<b>7.0</b>	<b>14.8</b>	<b>10.1</b>	<b>18.2</b>	<b>10.7</b>	<b>22.9</b>	<b>14.7</b>	<b>29.0</b>
<b>Total funds employed</b>	<b>7.0</b>	<b>14.8</b>	<b>10.1</b>	<b>18.2</b>	<b>10.7</b>	<b>22.9</b>	<b>14.7</b>	<b>29.0</b>



# Oncosil Medical (OSL)

## Business description

Oncosil Medical Limited (OSL) is developing a novel form of brachytherapy for the treatment of pancreatic and liver cancers. OncoSil™ provides a means of irradiating tumours from the inside, using microparticles impregnated with the radioactive isotope Phosphorus-32. OncoSil™ is expected to be granted CE Mark in early 2020 and be the subject of a large clinical trial in the US commencing in 2020. We estimate a US\$350m sales opportunity in the major pancreatic cancer markets.

## Investment thesis

We maintain our OVERWEIGHT rating on Oncosil Medical following recent efforts to raise approximately \$19m. The new funding will be applied to market preparation activities in European, APAC and ASEAN countries. The company will also expand its activities in the USA, including a potential humanitarian approval and a new, pivotal clinical trial. The post-marketing surveillance program Oncosil committed to in Europe could develop into strong asset if clinical outcomes from commercial doses mirror those seen in the PanCO trial. Consistent resection rates north of 20% could drive solid early adoption, feeding real world data into the US regulatory campaign. New target price of \$0.40/sh adjusts for dilution.

## Revenue drivers

- Clinical trial success and regulatory approvals to market its products
- Pricing and reimbursement decisions
- Market penetration (new clinical centres/hospitals, physician acceptance)
- New markets (geographical, clinical indications)

## Margin drivers

- Gross margins sustainable at 80% or better
- Although SG&A structure is yet to evolve, long-term rates of ~40-60% achievable (Wilson's estimates)
- Reimbursement outcomes (pricing)

## Key issues/catalysts

- CE Marking and European marketing
- Clinical trial execution, results and FDA approvals
- Potential for commercial partnering interest over the next few years as pivotal trial gains momentum

## Risk to view

- The technology is currently only supported by low level evidence from a handful of small Phase I/II clinical trials
- Outlook depends on higher level clinical evidence flowing from well-designed clinical trials
- Regulatory risks including manufacturing and quality issues
- Product safety
- Competitive risks in a busy oncology technology market

## Balance sheet

- We estimate Oncosil will have cash and equivalents of ~\$19.8m as at the end of FY20.

## Board

- Dr Chris Roberts (Chairman)
- Daniel Kenny (Managing Director)
- Dr Roger Aston (Non-Executive Director)
- Martin Cross (Non-Executive Director)
- Michael Basset (Non-Executive Director)

## Management

- Daniel Kenny (CEO)
- Karl Pechmann (CFO)
- Nigel Lange (EMEA President)
- Charles Rowland (US President)

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Definitions at [wilsonsadvisory.com.au/Disclosures](http://wilsonsadvisory.com.au/Disclosures).

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