Microbix Biosystems Inc.

13 January 2025

MBX-T: $0.42, MBXBF-OTC: US$0.30

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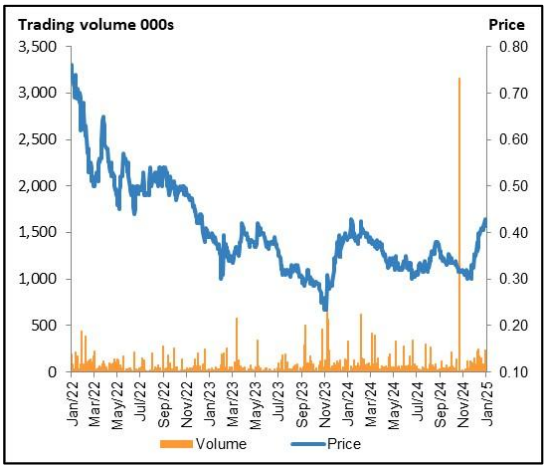
Price	$0.42	Market Cap		$56,983
Target Price	$1.00	Debt		$6,397
Projected Return	138%	Cash		-$12,963
52 Week Range	0.45/0.29	EV ($000s)		$50,417
Basic Shares (000's)	135,674			
FD Shares (000's)*	174,831			
Insiders	13.0%			
Y/E September	**2023**	**2024**	**2025E**	**2026E**
Revenues ($000s)	16,515	25,394	26,256	32,155
EBITDA ($000s)	1,499	5,518	4,093	6,451
Adj. EBITDA** ($000s)	-2,530	2,102	4,093	6,451
FDEPS	0.00	0.02	0.01	0.02
EV/EBITDA	33.6x	9.1x	12.3x	7.82x
*=Assumes conversion of CD;				
**= Adj EBITDA excludes impact of Kinytic progress payments				



Profile

Microbix Biosystems Inc. (MBX-T) is a Canada-based life science company and manufacturer of viral and bacterial antigens and cell, culture-based biological products, and technologies. MBX's catalogue of antigens covers +30 bacterial and viral pathogens implicated in maternal, pediatric, childhood, respiratory, sexually transmitted, and insect-borne diseases. MBX is now focusing on a higher growth opportunity: its QAPs™ product line, targeting quality controls within accreditation organizations, IVD equipment manufacturers, and clinical laboratories. Microbix also has a fully funded biologic thrombolytic drug program, Kinlytic® urokinase, which is targeted to return to the U.S. market by way of an sBLA filing in 2027.

Disclosure

Please refer to the important disclosures on page 17.

FQ4/24 REVIEW: TARGET PRICE RAISED TO $1.00 (FROM $0.75) DUE TO STRONGER-THAN-EXPECTED ANTIGEN SALES GROWTH.

- **Record revenue Growth**: For FY24, base business revenues increased by 40.5% year-over-year, driven by a robust FQ4/24 performance. Specifically, **Antigen** segment revenues grew by 44.0% year-over-year, with a 50.3% increase in FQ4/24, fueled by strong orders from an Asian distributor. Additionally, **QAPs™** revenues rose by 37.9% annually (42.1% quarterly), aligning closely with our expectations. QuidelOrtho Corp. continues to address challenges with its Savanna platform, with the timing and pace of its launch potentially providing upside to F26E forecasts.
- **Kinlytic Update**: As anticipated, no Kinlytic® urokinase licensing revenues were recorded. MBX is set to receive payment of US$1.0m upon approval of the supplemental Biologics License Application (sBLA), expected in late 2027, with licensing revenues anticipated to commence in F28E. There is additional potential for clinical label expansion and geographic market growth.
- **Margin Improvement:** For F24, gross margins recovered to 60.6%, compared to 45.3% in F23. In FQ4/24, margins were 54.8%, up from 33.4% in FQ4/23, which was adversely impacted by a higher proportion of lower-margin Antigen revenues and batch failures. These margins align with management's target of 50%, with a long-term goal of approximately 60% as QAPs™ production scales.
- **Operating Expenses:** F24 total operating expenses increased by an expected 12.4% due to the implementation of the ERP system and eQMS master control (higher depreciation); Kinlytic intangible asset amortization which was written up in FQ4/23 ($75k/quarter); increased consulting costs and the addition of a fourth facility.
- **EBITDA:** The net benefit of higher revenues and gross margins offset the increase in operating expenses, resulting in an adjusted EBITDA of $2.1m, compared to a loss of $2.5m in F23. FQ4/24 EBITDA margin was 17.7%, an improvement from -16.0% in FQ4/23.
- **Cash Position**: Cash balances increased by $154k over FQ3/24 to $13.0m. Key factors contributing to this movement include: $767k cash provided by operating activities; offset by $230k of capex and $315k spent on repurchase of common shares.
- **Valuation**: Given the stronger-than-expected Antigen revenues growth, and introduction of F26 forecasts, we raise our target price to $1.00/share (up from $0.75). This valuation is based on a sum-of-the-parts approach, including an EV/EBITDA multiple for the base business, supplemented by a $40.0m valuation for the Kinlytic® urokinase development asset. We will reassess the valuation of Kinlytic® urokinase following the sBLA filing, which could lead to an adjustment of the target price to $1.30/share ($1.07/share net) based on a discounted cash flow analysis, or $1.00 per share ($0.77 net) based on an estimated 2033 after-tax earnings contribution of $0.11 per share, discounted at 10% per annum.

Revenues

Microbix's strategic focus is to transition from manufacturing less-regulated test ingredients (Antigens) to producing a portfolio of clinically significant and fully regulated medical devices (QAPs™) for infectious-disease diagnostic testing. However, Antigen revenue growth have outpaced QAPs™ revenue growth both on an annual and quarterly basis, due to stronger-than-expected Antigen revenues and as QAPs™ growth is currently constrained by the delayed ramp-up of QuidelOrtho's (QDEL-Q) Savanna platform (discussed in more detail below).

Through this report we refer to the "base business" as being the business excluding any royalties.

In F2024, total revenues grew 53.8% over F2023, while the base business grew 40.5%. In FQ4/24, the base business revenues grew 47.6% YoY (Figure 1), with no Kinlytic royalties recognized during the quarter.

Figure 1: MBX revenues ($000's)

	FQ4/24	FQ4/23	% change	F2024	F2023	% change	Explanation
Antigen products	4,472	2,975	50.3%	13,814	9,592	44.0%	Strong revenues growth into Asian markets.
QAPs™	1,698	1,195	42.1%	7,016	5,087	37.9%	Increased penetration into existing customers
Royalties	124	94	32.4%	478	485	-1.4%	
Base business	6,295	4,264	47.6%	21,308	15,165	40.5%	
Kinlytic royalties	-	-		4,086	1,350	202.7%	Receipt of final royalty payment expected F27E
Total revenues	**6,295**	**4,264**	47.6%	25,394	16,515	53.8%	

Source: Company reports; KRC Insights

On a segmented basis, Antigen revenues continue to grow faster than QAPs™ revenues:

Antigen products. Antigen revenues experienced significant growth, with a 44.0% increase annually and a 50.3% rise on a quarterly basis. This performance was primarily driven by continued expansion in Asia through the company's distribution partner, and to a lesser extent a post-COVID recovery in demand.

It is important to note that the Antigen business exhibits some variability (Figure 2), as it is dependent on the purchasing patterns of a small number of larger customers, including the increasingly important Asian distributor. The ramp-up of the Asian distributor was the primary driver of revenue growth in F2024.

Figure 2: MBX Antigen revenues ($000s)

Fiscal year	FQ1	FQ4	FQ4	FQ4	Full year
2017	1,887	2,580	2,705	2,720	9,892
2018	2,803	2,922	3,158	3,309	12,191
2019	2,341	3,736	2,792	3,112	11,981
2020	1,946	2,358	2,246	2,138	8,688
2021	2,138	2,524	2,399	2,021	9,082
2022	1,766	1,608	2,284	2,630	8,288
2023	1,004	3,005	2,609	2,975	9,592
2024	1,954	4,111	3,276	4,472	13,814

Source: Company reports

QAPs™. QAPs™ revenues grew by 37.9% annually and 42.1% on a quarterly basis, driven by increased market penetration across its customer base. The company's direct customers include four of the five largest diagnostic companies globally, most major proficiency testing and accreditation organizations, and numerous leading clinical laboratories. QAPs™ quarterly revenues increased from approximately $1.2m in FY2023 to approximately $1.7m in FY2024.

The growth was attributed to:

- Continued expansion with test manufacturers, particularly due to the inclusion of test cartridges in diagnostic kits (including point-of-care tests);
- Increased direct sales to major clinical laboratories; and
- The integration of VTM[1] revenues (formerly reported separately) into QAPs™, as the company now offers complete process solutions within its onboarding kits, including VTM components.

Gross Margins

For F2024, gross margins were 60.6%, including royalty payments, and 53.1%, excluding royalty payments. This represents a notable improvement from F2023, where gross margins were 45.3% and 40.4%, respectively.

Figure 3: MBX gross margins

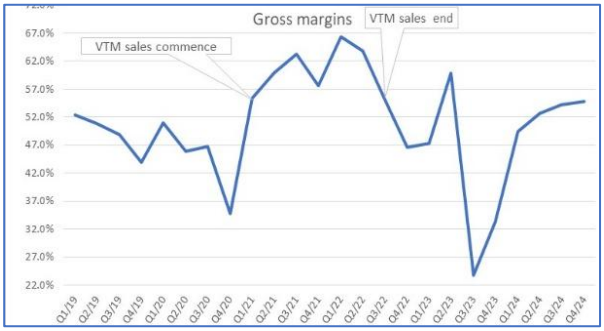
	FQ4/24	FQ4/23	F2024	F2023
Total gross margin	54.8%	33.4%	60.6%	45.3%
Base business gross margin*	54.8%	33.4%	53.1%	40.4%

Source: Company reports; KRC Insights *= excludes impact of royalty payments

In FQ4/24, gross margins were 54.8%, compared to 33.4% in FQ4/23 (Figure 4). The improvement in FQ4/24 was driven by a favorable shift in the Antigen product mix, higher QAPs™ revenues, and a reduction in Antigen batch failures. In contrast, FQ4/23 was negatively impacted by a sales mix skewed toward Antigen products (which are lower-margin) relative to QAPs™, as well as challenges within the Antigen product mix and an increase in batch failures. Assuming QAPs™ margins remained consistent (as they were not disclosed), this suggests a healthy recovery in Antigen margins, consistent with the trends observed in FQ3/24.

The margin results achieved management's short-term target of over 50%, with the longer-term goal of approximately 60% as QAPs™ contribute more significantly to the overall product mix.

Figure 4: MBX base business gross margins*



Source: Company reports, KRC Insights *=excludes license payments

[1] VTM=viral transport media

To recap, several factors influence margins:

- **Sales Mix**: There is inherent variability within the Antigen portfolio, both on a product-by-product and lot-by-lot basis. Gross margins benefit from the contribution of higher-margin QAPs™ revenues, which positively impact the overall margin profile.
- **Manufacturing Process**: MBX is continuing its transition from roller bottles to bioreactors. In FQ3/24, a second bioreactor line was brought online, and while an increasing portion of the Antigen business is now bioreactor-based, certain products, such as Mycoplasma, are still undergoing the transition.
- **Manufacturing Volume**: MBX has significantly expanded its production capacity for multiple Antigen products. The company believes that the elevated demand levels for these products will persist, further supporting margin improvements. Additionally, MBX continues to expand its customer base in Asia, particularly through its distributor in China, which is expected to provide further growth in Antigen revenues.
- **Capacity Expansion**: In addition to increasing production capacity, MBX has made substantial investments to modernize its manufacturing operations (Figure 7). Key initiatives include the implementation of an Enterprise Resource Planning (ERP) system and the transition to a paperless Quality Management System (eQMS). While these investments are crucial for long-term growth and operational efficiency, they may exert a short- to medium-term pressure on margins.

Operating Expenses

Total operating expenses increased 12.4% in F2024 over F2023 and 13.4% YoY on a quarterly basis (Figure 5), in line with our expectations.

The increase in operating expenses, both annually and quarterly, is mainly due to:

- the implementation of the ERP solution and eQMS master control (higher depreciation).
- Amortization relating to the Kinlytic intangible asset which was written up in FQ4/23 ($75k/quarter).
- Increased consulting costs.
- Additions to MBX's third facility.

Figure 5: MBX expenses ($000's)

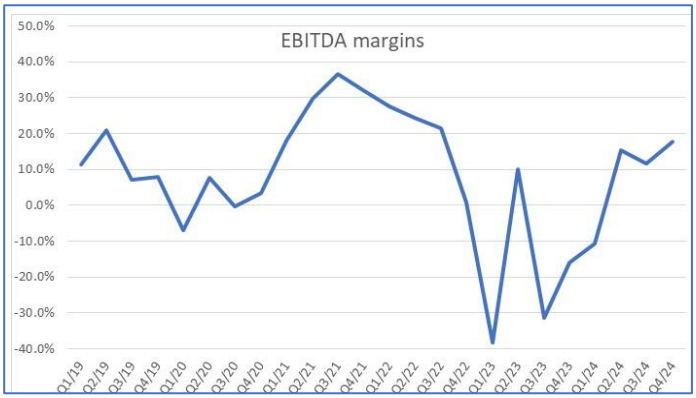
	FQ4/24	FQ4/23	% change	F2024	F2023	% change
Selling and business development	374	365		1,476	1,478	
General and administrative	1,783	1,486		7,886	6,693	
R&D	582	565		2,125	2,047	
Total operating expenses	2,740	2,416	13.4%	11,487	10,218	12.4%

Source: Company reports; KRC Insights

EBITDA margin

Referring to the base business, the net benefit of higher revenues, higher gross margin offset the higher operating expenses such that adjusted EBITDA margin improved to 17.7% in FQ4/24 vs -16.0% in FQ4/23. (Figure 6).

Figure 6: MBX base business EBITDA margins*



Source: Company reports; KRC Insights *=excludes license payments

Cash Flow and Balance Sheet

In FQ4/24, MBX reported a $154k sequential increase in cash, with cash balances at a healthy $13.0m. Principal contributors to this movement include:

- $767k cash provided by operating activities; offset by
- $230k of capex (Figure 7); and
- $315k repurchase of common shares.

MBX has made significant investments in manufacturing capacity expansion (Figure 7). Management expects capex in F25E will be ~$2.0m with the focus on additional equipment for the lab, equipment upgrades/replacement and capacity expansion. (Figure 8).

Figure 7: MBX quarterly capex ($000s)

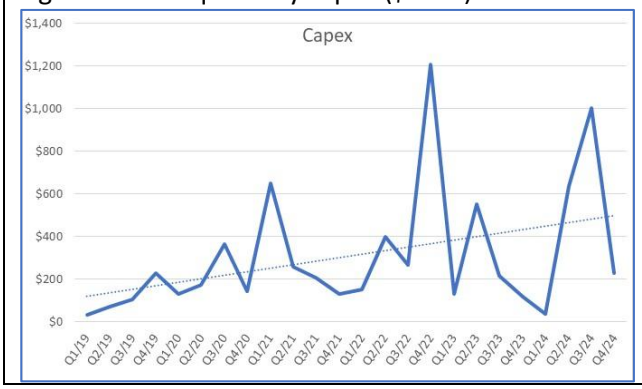


Figure 8: MBX annual capex

	$000's
2019	515
2020	814
2021	1,303
2022	2,026
2023	1,016
2024	1,908
2025E	2,000

Source: Company reports; KRC Insights

As we have stated prior, management estimates that when these expansions are completed, along with the IT systems and ERP upgrades, they will support greater than a $50m revenue run rate.

MBX has made effective use of government funding for its capex as shown by long-term debt (Figure 9).

Figure 9: MBX total debt at FQ4/24 ($000's)

	Current	Non-current	Total	Detail
Long term debt	111.1	3,579.6	3,690.7	Low interest govt loans: BDC $1.6m, Ontario govt $2.4m,
Lease liability	130.8	568.9	699.7	Covers three facility leases
Convertible Debentures		2,006.4	2,006.4	Debentures mature on 9/28 and 1/29, bear interest at 9%, and have a face value of $4.0m. These are in-the-money and most likely will be converted.
Total debt	241.9	6,154.9	6,396.9	

Source: Company reports, KRC Insights

The debt is well covered (Figure 10).

Figure 10: MBX FQ4/24 total capital employed ($000s)

	30/9/24
Share capital	48,682.9
Equity component of CDs	2,272.6
Contributed surplus	10,733.2
Accumulated deficit	-33,391.2
Total equity	28,297.4
Total debt	6,396.9
Total capital employed	34,694.3

Source: Company reports, KRC Insights

During F2024, MBX repurchased and cancelled 2.75m shares through its NCIB at a cost of $925k. MBX's updated share count is shown in Figure 11:

Figure 11: MBX fully diluted share count (000s)

	Shares	Options	Warrants	Convert. Deb	Total
At 30/9/24	135,674	12,884	8,882	17,391	174,831

Source: Company reports, KRC Insights

MBX has the potential to add to cash balances during its FQ2/25 through the exercise of in-the-money warrants and options:

- **Warrants**: 8.9m at $0.36, expiring end of January 2025.
- **Options**: 2.2m at $0.215, expiring end of February 2025.

Estimates

Revenues

MBX does not provide formal guidance. However, during the FQ4/24 conference call, management indicated that for FY2025, total year-over-year (YoY) sales growth is expected to fall within the range of 20%-40%, with management stating: "We had a very strong year in fiscal 2024, and we're looking for an even stronger year in fiscal 2025, which we've already begun."

The variability in the F25 outlook is largely attributed to the timing of QuidelOrtho Corp.'s (QDEL-Q) launch of its European respiratory panel and the subsequent introduction of the Savanna platform. A secondary factor contributing to the variability is the sustainability of Antigen YoY growth rates.

To provide context for the Savanna platform's potential impact, following MBX's FQ2/24 results, we adjusted our QAPs™ revenue forecasts downward due to delays in the launch of QDEL-Q's Savanna RVP4 Test platform and the uncertainty surrounding the timing of the reintroduction of this platform.

During QDEL's Q3/24 conference call[2], the company provided the following update: "We believe Savanna, and molecular diagnostics in general, will be an important driver of future profitable revenue growth. We plan to enter clinical trials with our respiratory panel as the respiratory season develops and aim to be in the market later in 2025… We're not expecting any significant revenue impact from this panel in 2025. The majority of the ramp-up will occur in 2026 and 2027."

As a result, the timing of regulatory approval and the commercial rollout of the Savanna platform (in the U.S.) is expected to influence MBX's performance in the latter half of F25, though the more substantial impact will likely be felt in F26. However, QDEL has already received approval for its respiratory panel in Europe, and MBX is expected to support its European launch in the latter half of calendar year 2025.

For F25, we have revised our total revenue forecasts upward, driven by Antigen strength. At the same time, we have largely maintained our QAPs™ projections, with other sources of revenue filling in for the anticipated impact of the Savanna platform launch, which is now expected to affect F26. In addition, we are introducing our forecasts for FY2026 (Figure 12).

Figure 12: MBX Revenue Forecasts ($000's)

Sept. year-end	2025E	2026E	Description
Antigen products	16,300	17,930	Expected continued recovery in Antigen revenues in F25E based on new product introductions and increased penetration of Asia/China. For F26E, expect growth to return to historical levels.
% growth	18.0%	10.0%	
QAPs™	9,500	13,775	An acceleration of QAPs™ growth in F25E is based on the continued ramp by major international diagnostic customers as they transition from proficiency testing to full product roll out, as evidenced in FQ3/24 and FQ4/24. QDEL provides upside in F26E. Currently, MBX has over 20 QAPs™ clients, all ramping. New areas of expansion include geographic expansion and new products (e.g. *H.pylori* for stomach ulcers).
% growth	35.4%	45.0%	
Royalties	456	450	
% growth	-1.4%	-1.4%	
Sales of base business	26,256	32,155	
% growth base business	23.2%	22.5%	
Kinlytic® urokinase royalties	-	-	No royalties forecast until F27E, when US$1.0m is due upon FDA acceptance of the sBLA to be followed by potential sales milestone payments.
Total sales	26,256	32,155	
Total revenue growth	3.4%	22.5%	

Source: KRC Insights

[2] QDEL Q3/24 conference call was hosted on 7/11/24.

For F25E, we are forecasting a 3.4% YoY total revenue growth, or 23.2% excluding Kinlytic® urokinase licensing fees.

Antigen Outlook: MBX has visibility into future Antigen orders because it does not typically stock much inventory for this product. While we do not have the split in inventories between Antigens and QAPs™, we understand that the bulk of year-end inventories are Antigen related. On this basis, despite a 23.2% increase in base business revenues, inventory days increased nominally from 232.4 days in F2023 to 235.9 days in F2024.

Antigen revenues have resumed a growth trajectory (Figure 2), but their contribution of overall company revenues is expected to continue to decline over time due to the impact of faster-growing revenues of other product categories, specifically QAPs™. In support of this growth, MBX has:

- transitioning products increasingly to bioreactors; and
- made further additions to capacity.

Accordingly, we believe that MBX has expanded its production capacity to meet increased demand for Antigens, including rubella.

QAPs™ Outlook. Improved point-of-care instruments and the emergence of better clinical, laboratory-based assays are driving the demand for test controls. Apart from QDEL (discussed earlier) currently, certain other QAPS™ products are in limited pre-launch runs, however, as these break out from proficiency testing schemes into full commercial launches with various major international companies, volumes are expected to increase substantially.

We expect some lumpiness in this segment as a significant customer orders in only 3 of 4 quarters.

An overview of the QAPs™ product line is shown in Appendix II.

Margins

Factoring in anticipated revenue growth, continued improving gross margins (for base business, excluding impact of Kinlytic® urokinase license fees), and leveraging the increased cost base as the company expands production and selling expenses, we forecast that EBITDA margins will approach +20.21% by F26E (Figure 13).

Figure 13: MBX EBITDA forecasts ($000s)

Sept. year-end	2024	2025E	2026E
EBITDA	5,518	4,046	6,451
Margin %	21.7	15.4	20.1
Adj. EBITDA*	2,102	4,046	6,451
Margin %	10.1	15.4	20.1

Source: KRC Insights Adj EBITDA excludes the impact of Sequel license payments i.e. represents the base business only

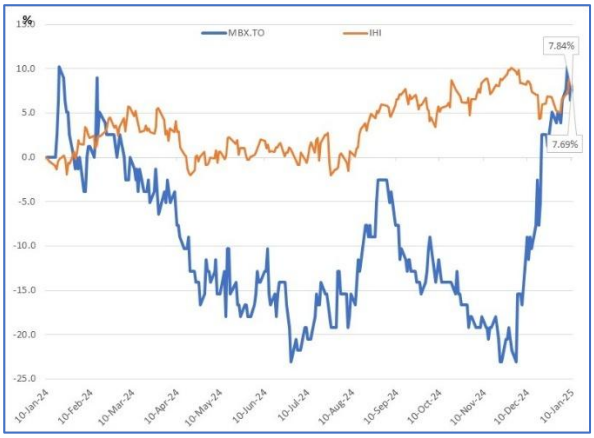
Valuation

As an overview of the MBX share price, over the past 12 months, we compare the MBX shares performance against a Medical Devices ETF.

MBX shares have performed in line vs those of the iShares U.S. Medical Devices ETF (IHI-N), generating a 12-month return of 7.7% vs 7.8% of the ETF (Figure 14). IHI is a ~US$4.5bn ETF and its holdings comprise, amongst others, several MBX customers. It offers exposure to U.S. companies that manufacture and distribute medical devices and is used to express a sector view.

The recovery in the MBX shares from the lows of December 2024 can be ascribed to the recovery in the base business as evidenced by the FQ4/24 revenue growth and the subsequent anticipation of the continuation of this growth into F2025.

Figure 14: MBX share price vs iShares U.S. Medical Devices ETF (pricing at 10/1/25)



Source: Respective exchanges, KRC Insights

To provide context for the 7.8% increase in the ETF share price over the past 12 months, we provide some granularity (Figure 15) limited to our group of MBX comparable companies, some of which are included in the IHI ETF.

This comparable group of companies has experienced an average -2.1% decline in their share prices over the past year (vs +7.8% for the ETF). This 2.1% decline (Figure 15) is materially influenced by QuidelOrtho (QDEL-O) whose share price declined 36.6%. Refer to our comments above which provide a partial explanation for this decline.

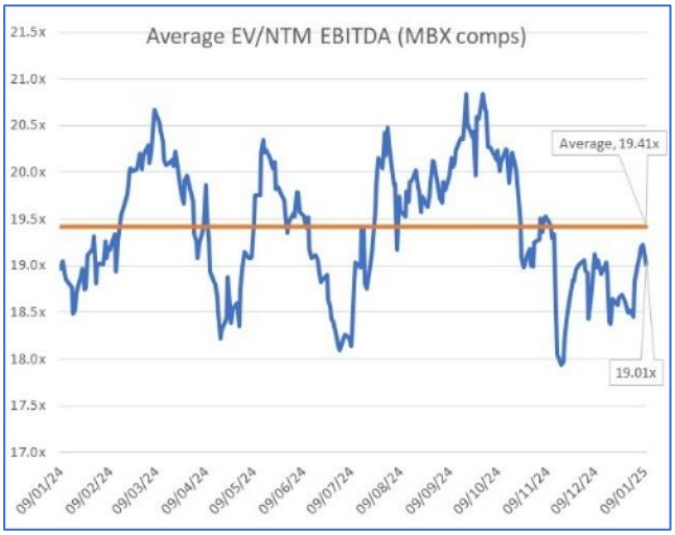
Figure 15: 12-month changes in share prices and NTM EBITDA forecasts (as of 10/1/25)

	Symbol	12-month change in share price %	12-month 0in NTM EBITDA %	12-month change in EV/EBITDA multiple %
Microbix Biosystems Inc	MBX.TO	7.7%		
Bio Rad Laboratories Inc	BIO.N	6.5%	-0.5%	5.0%
Bio-Techne Corp	TECH.O	0.2%	0.2%	-1.2%
Danaher Corp	DHR.N	3.1%	4.2%	-0.9%
DiaSorin SpA	DIAS.MI	14.7%	11.1%	-0.4%
QuidelOrtho Corp	QDEL.O	-36.6%	-24.3%	9.2%
Thermo Fisher Scientific Inc	TMO.N	-0.7%	4.9%	-5.4%
Average		-2.1%	-0.7%	1.1%

Source: KRC Insights

The average EV/NTM EBITDA multiple of this group (Figure 16) has increased nominally from 18.8x to 19.0x over the 12 months (averaging 19.4x for this period).

Figure 16: MBX comps trend in NTM EV/EBITDA



Source: KRC Insights

The comparable company valuation table is shown in Figure 17. We compare MBX's valuation of its base business (Antigens and QAPs™), excluding the Kinlytic® urokinase asset as it is valued separately. MBX is currently trading at a discount to its peer group on an EV/2026E EBITDA basis (7.8x vs 16.8x).

Figure 17: MBX and comparable companies' valuations (pricing at 13/1/25)

					EBITDA		Revenues		Rev	EV/EBITDA		EV/Revenues	
	Symbol	Price	Mkt Cap	EV	2024**	2026E	2024**	2026E	Growth	2024**	2026E	2024**	2026E
Microbix Biosystems Inc*	**MBX.TO**	**0.42**	**57.0**	**50.4**	**2.1**	**6.5**	**24.0**	**32.2**	**33.7%**	**23.99x**	**7.82x**	**2.10x**	**1.57x**
Bio Rad Laboratories Inc	BIO.N	351.70	9,792.2	9,371.0	471.6	568.3	2,579.0	2,782.8	7.9%	19.87x	16.49x	3.63x	3.37x
Bio-Techne Corp	TECH.O	76.42	12,142.5	12,255.0	427.1	556.7	1,222.8	1,486.6	21.6%	28.70x	22.01x	10.02x	8.24x
Danaher Corp	DHR.N	239.88	173,259.4	188,162.4	7,525.5	8,908.2	23,744.2	26,859.2	13.1%	25.00x	21.12x	7.92x	7.01x
DiaSorin SpA	DIAS.MI	101.45	5,676.0	6,487.0	391.6	487.9	1,191.9	1,396.8	17.2%	16.56x	13.30x	5.44x	4.64x
QuidelOrtho Corp	QDEL.O	44.61	3,000.3	5,407.0	554.6	652.6	2,773.8	2,874.4	3.6%	9.75x	8.29x	1.95x	1.88x
Thermo Fisher Scientific Inc	TMO.N	555.52	212,486.5	241,261.5	10,798.4	12,519.8	42,788.3	47,900.3	11.9%	22.34x	19.27x	5.64x	5.04x
Totals/**Average**							74,300.0	83,300.2	**12.1%**	**20.37x**	**16.75x**	**5.77x**	**5.03x**
*=Forecasts for base business only as KU asset valued seperately													
**=MBX has reported its FQ4/24, no other company has reported their F2024,hence, these are estimates													

Source: KRC Insights

We believe that as MBX executes against our revenue forecasts (Figure 17), this valuation difference will close.

Our valuation for MBX (Figure 18) is based on the following metrics:

- We apply a 19.0x EV/2026E EBITDA multiple – in line with the average of MBX's US-listed peers of 19.4x (Figure 17). All the comps that comprise our average valuation multiples are significantly larger than MBX; application of our in-line multiple is based on MBX's significantly faster revenue growth rate and in anticipation of the ramp of the QDEL QAPs™ revenues which could materially impact F26E.
- Our fully diluted number of shares anticipates the conversion of the convertible debenture (Figure 11).
- We ascribe a notional value for the Kinlytic® urokinase asset of $40m ($0.23cps) to provide recognition in the progress to re-commercialization and believe that the Sequel agreement validates this approach. There is no benefit in F25E or F26E from the Kinlytic® urokinase asset until the US$1.0m due upon filing of the sBLA. We will adjust our valuation of Kinlytic® urokinase further once the sBLA is filed.

We raise our target to $1.00 (formerly $0.75) due to stronger-than-expected Antigen revenue growth and the introduction of F26E forecasts. Using a sum-of-parts approach: 1) Valuing the base business by applying an EV/EBITDA multiple to the base business EBITDA, and then 2) adding $40.0m ($0.23cps) for the Kinlytic® urokinase development asset.

Figure 18: MBX valuation ($000s)

		2026E
Adj. EBITDA (2026E)	$000s	6,451
Multiple	x	19.0x
Enterprise Value	$000s	122,569
Add: Cash 2026E	$000s	16,547
Less: Debt 2026E*	$000s	4,174
Implied market cap	$000s	136,739
Kinlytic urokinase	$000s	40,000
MBX valuation	$000s	176,739
FD # shares*	000s	174,831
Share price	$	1.01
Rounded	**$**	1.00
***=assumes conversion of the CDs.**		

Source: KRC Insights

**= Adj EBITDA excludes the impact of Sequel progress payments and agents' commission i.e. represents the base business only

Figure 19: MBX historical and forecast income statement ($000s)

Sept. year-end	$000's	2023	2024	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2025E	2026E
Antigen products		9,592	13,814	4,100	4,100	3,932	4,168	16,300	17,930
% growth		15.7%	44.0%	109.9%	-0.3%	20.0%	-6.8%	18.0%	10.0%
QAPs™		5,087	7,016	1,600	1,600	2,800	3,500	9,500	13,775
% growth		-5.4%	37.9%	-28.8%	14.3%	67.7%	106.1%	35.4%	45.0%
Royalties & Other		1,835	4,565	114	114	114	114	456	450
% growth		349.0%	148.7%	-97.3%	-6.3%	2.0%	-8.2%	-90.0%	-1.4%
Total Sales		16,515	25,394	5,814	5,814	6,846	7,782	26,256	32,155
Total revenue growth		-13.4%	53.8%	-30.8%	3.2%	35.3%	23.6%	3.4%	22.5%
Cost of goods sold		(9,033)	(10,002)	(2,720)	(2,720)	(3,039)	(3,403)	(11,883)	(14,295)
Gross Margin		7,481	15,392	3,094	3,094	3,807	4,380	14,374	17,860
Selling and business development		(1,478)	(1,476)	(400)	(400)	(390)	(404)	(1,594)	(1,897)
General and administrative		(6,693)	(7,886)	(1,900)	(2,000)	(2,050)	(2,321)	(8,271)	(9,003)
Research and development		(2,047)	(2,125)	(592)	(535)	(575)	(634)	(2,337)	(2,572)
Other		3,079							
Total costs		(7,139)	(11,487)	(2,892)	(2,935)	(3,015)	(3,359)	(12,202)	(13,473)
Operating (Loss)/income		342	3,905	202	158	791	1,021	2,172	4,387
Interest paid		(382)	(234)	(103)	(103)	(103)	(103)	(412)	(405)
Net income before taxation		(39)	3,671	99	55	688	918	1,760	4,077
Taxation		-	(151)	-	-	-	-	-	-
Net income		(39)	3,520	99	55	688	918	1,760	4,077
EPS - Basic		($ 0.00)	$ 0.03	$ 0.00	$ 0.00	$ 0.00	$ 0.01	$ 0.01	$ 0.03
EPS - FD		($ 0.00)	$ 0.02	$ 0.00	$ 0.00	$ 0.00	$ 0.01	$ 0.01	$ 0.02
		2023	2024	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2025E	2026E
Gross profit	%	45.3	60.6	53.2	53.2	55.6	56.3	54.7	55.5
Operating margin	%	2.1	15.4	3.5	2.7	11.6	13.1	8.3	13.6
EBITDA	$000's	1,499	5,518	443	461	971	2,170	4,093	6,451
EBITDA margin	%	9.1	21.7	7.6	7.9	14.2	27.9	15.7	20.3
Adj. EBITDA*	$000's	(2,530)	2,102	443	461	971	2,170	4,093	6,451
Adj. EBITDA margin*	%	(17.2)	10.1	7.6	7.9	14.2	27.9	15.7	20.3
Effective tax rate	%	--	4.1	--	--	--	--	--	--
Net margin	%	(0.2)	13.9	1.7	1.0	10.1	11.8	6.7	12.7

Source: Company reports, KRC Insights *=excludes the impact of KU progress payments

Appendix I: Kinlytic® urokinase

Given the potential impact on MBX's valuation of the Kinlytic® urokinase commercialization, this section provides context for investors and is only updated with the progress made since our last report.

Background

On 16 May 2023, MBX announced a commercialization agreement with Sequel Pharma LLC (Sequel). It represents the culmination of MBX's previously stated intention to re-commercialize Kinlytic® urokinase. Kinlytic® urokinase, formerly Abbokinase®, is owned 100% by MBX and approved for multiple indications. While originally targeting massive pulmonary embolism, it became the market leader for catheter clearance (CC).

MBX has signed a fully funded redevelopment deal for Kinlytic® urokinase. As part of the deal, MBX was to receive US$5.0m in pre-commercialization payments (detailed below) centered around closing and regulatory approval, then US$30m in revenues-based progress payments and a double-digit royalty on net revenues. Sequel will fund all development costs.

Progress to date

Of the US$5.0m of pre-commercialization progress payments, US$4.0m have been received:

- **First US$2.0m**. In FQ4/23, MBX received its initial $2.0m progress payment. Of this, US$1.0m was recorded as revenues, and US$1.0m was recorded as deferred revenue.
- **Second US$2.0m**. On 16 November 2023, MBX announced reconfirmation of its agreement with Sequel to return Kinlytic® urokinase to market. Following a satisfactory consultation with the U.S. Food and Drug Administration (FDA) that reconfirmed and built upon prior regulatory guidance, MBX received its second milestone payment of a further US$2.0m.
- **Accounting**: All the second US$2.0m was recorded as revenue and the US$1.0m deferred revenue was also recognized as revenue (being a reversal from deferred revenue) resulting in US$3.0m of progress payments recorded in FQ1/24.
- **Final US$1.0m**. Hence, MBX has now received US$4.0m of US$5.0m in pre-commercialization milestone payments. The final US$1.0m is due upon approval of the sBLA[3], expected sometime in 2027. There are additional revenue-based royalties due upon commercialization.
- **14/3/24**: Sequel Pharma, LLC executed, with support from Microbix, signed an agreement with a leading international contract development and manufacturing organization (CDMO) for production of Kinlytic® urokinase.
- **14/8/24**: On the FQ4/24 conference call, management provided the following updates:
    - MBX has a Contract Development and Manufacturing Organization (CDMO[4]) working on upgrading the drug substance, the purified urokinase protein for regulatory filings, and those

[3] **sBLA**: A Biologics License Application (BLA) is a request for permission to introduce, or deliver for introduction, a biologic product into US interstate commerce. A BLA includes Applicant information, Product/Manufacturing information, Pre-clinical studies, Clinical studies and Labeling. The supplemental BLA (sBLA) means the equivalent successor filing with the FDA, and any supplements or amendments to the original filing.
[4] A contract development and manufacturing organization, or **CDMO**, provides end-to-end, fully integrated drug development and manufacturing solutions and services to biotechnology and pharmaceutical companies.

studies are going exceptionally well. Kinlytic™ urokinase will be provided in a vial which will be used on patients. These negotiations are going very well.
    - MBX and Sequel are in the process of engaging with a second contract drug manufacturing organization (CDMO). This CDMO will provide services for production of formulated drug product.
    - Timelines are unchanged from the last time MBX provided an update (Figure 20).
- **19/12/24**: On the MBX FQ4/24 conference call, management stated that:
    - **Ken Hughes:** "Kinlytic is also going extremely well…..I was in a great meeting with them (CDMO) this morning and all I can say is the stated timeline for 2027 is unchanged and if anything, it's derisked, moving forward at a pace and everything is going extremely well…(there is) no desire to stop after Kinlytic clearance in the North American market…(there is) Kinlytic clearance in Europe[5] ….and then there's the bigger indication, which are bigger markets for indications related to pulmonary embolism like, [prophylaterial] occlusive disease, stroke, even cancer indications associated with this product and there's every intention to pursue all of these opportunities going forward."
    - **Cameron Groome:** "Kinlytic will kick in, we believe, quite dramatically towards the end of calendar 2027."

While Sequel is a private entity, and hence under no obligation to provide updates, management expects to provide two to three event-driven updates about Kinlytic® urokinase each year.

Cash implications. The first US$2.0m milestone payment comprised cash and was paid at the end of Q3/23 (albeit the accounting was split equally between revenues and deferred revenue). The second US$2.0m payment (~$2.7m) comprised cash and was paid in FQ4/24.

Write-back of the Kinlytic® urokinase intangible asset. In F2020, due to the lack of progress in finding a buyer/interested party in commercializing Kinlytic® urokinase, the Kinlytic® urokinase intangible asset was written off resulting in a $3.1m impairment charge in that year. However, owing to the receipt of the first milestone payment, the former asset was now deemed to have value and was written back in FQ4/23 and had no cash or tax implications. As a result, the asset is now depreciated at $75k/quarter.

[5] Kinlytic urokinase is currently not approved for Europe.

Timelines

In Figure 20 we provide a list of timelines as they pertain to the Sequel agreement.

Figure 20: MBX/Sequel (anticipated) timelines.

Milestone	Timing	Comment/Financial impact
Entered into Sequel agreement	16/5/23*	Per press release
First milestone payment	June 2023	US$2.0m split: US$1.0m recognized as revenue and US$1.0m recorded as deferred revenue
FDA consultation	October '23	
Second milestone payment	16/11/23*	US$2.0m milestone payment received week of 16/11/23
Receipt of sBLA/third milestone payment	2027E	US$1.0m. Management has reiterated that it expects sBLA approval in late calendar 2027.
First revenues	2028E	Initial seeding of the market to commence '27E with ramp '28E
Ongoing revenue-based sales royalties	2028E+	We estimate a 10% of net sales royalty
$30m sales-driven milestone payments	2029+	To be received based on pre-determined revenue targets

Source: Company reports; KRC Insights *=refers to MBX press release

Kinlytic® urokinase asset ownership will transition to Sequel upon approval of the sBLA, hence the Kinlytic® urokinase asset and the sBLA will become the property of Sequel at that time. However, if at any time prior to the issue of the sBLA development of the Kinlytic® urokinase asset is terminated, ownership will remain with MBX.

Kinlytic® urokinase Asset Valuation

We currently apply a notional valuation of $40 million for the Kinlytic® urokinase asset. The receipt of the second milestone payment and the progress made in its commercialization serve as validation of our existing approach to valuing the asset.

Upon the filing of the supplemental Biologics License Application (sBLA), we will transition from our current valuation methodology to one of the following approaches, understanding that there is a net impact which reflects the addition of the new methodology and the removal of the old:

- **$1.30 per share** on a discounted cash flow (DCF) basis ($1.07 net)
- **$1.00 per share**, based on a 2033E after-tax earnings contribution of $0.11 per share, discounted at 10% per annum ($0.77 net).

Appendix II: QAPs™ Products

MBX's QAPs™ product segments are summarized as follows:

- PTDx™: sold directly to lab accreditation organizations (usually white label).
- PROCEEDx™: sold directly to OEMs for qualifying new instruments and training technicians. Included with their test kit consumables, particularly research use only (RUO) products for use in test systems IQ/OQ/PQ, Verification/Validation, and Training.
- ONBOARDx™: Verification/Validation kit for instrument, kit, or assay qualification and use in internal processes and technician training.
- REDx® controls: to support the formal QC and QA programs of clinical laboratories. These are FDA-listed, and CE-marked products designed for use as Quality Control Samples in a clinical setting.

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