Microbix Biosystems Inc.

23 September 2025

MBX-T: $0.25 MBXBF-OTC: US$0.19

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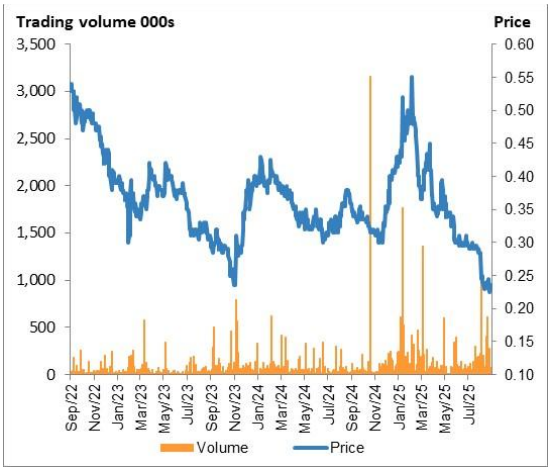
Price	$0.25	Market Cap		$35,065
Target Price	$0.55	Debt		$6,405
Projected Return	120%	Cash		-$12,101
52 Week Range	0.55/0.22	EV ($000s)		$29,370
Basic Shares (000's)	140,260			
FD Shares (000's)*	171,320			
Insiders	16.0%			
Y/E September	2024	2025E	2026E	2027E
Revenues ($000s)	25,394	18,374	20,093	22,946
EBITDA ($000s)	5,518	193	1,247	2,999
Adj. EBITDA** ($000s)	2,102	193	1,247	2,999
FDEPS	0.02	-0.02	-0.01	0.00
EV/EBITDA	5.3x	152.1x	23.56x	9.79x
*=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 (~300 SKUs), 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.

Disclosures

Please refer to the important disclosures on page 18.

FQ3/25 REVIEW: F26 TO BE A YEAR OF CONSOLIDATION WITH STRONG GROWTH RETURNING IN F27. BASED ON F27E FORECASTS, WE RAISE OUR TARGET TO $0.55 (FROM $0.50).

- **Overview.** FQ3/25 was the softest quarter vs the past nine quarters due to sales declines from two major clients. This customer concentration led to a revenue shortfall and negative net earnings, as sales did not cover MBX's engineered breakeven point of $5.0m to $5.5m. Excluding these setbacks, MBX reported strong year-over-year organic growth in Antigens (+34%) and QAPs™ (+13%).
- **FQ3/25 revenues**: The base business revenues declined -31.4% to $3.5m from $5.1m in FQ3/24 due primarily to the loss of the Antigen-related Chinese business (-44.1%) and -9.2% in QAPs™ sales due to QDEL cancelling its Savanna program.
- **Outlook adjusted**: For FQ4/25 we expect total revenues to be effectively flat from FQ3/25. Also, we forecast that the recovery in the **Antigen** business will be slower than expected after its abrupt H2 F25 fall-off as the recovery of Chinese demand is uncertain, a factor reflected in our F26E and F27E forecasts. In contrast, we see healthy revenue growth for **QAPs**™ due to several corporate initiatives. Consequently, for the base business, we are forecasting total revenues to decline 27.6% (formerly-24.3%) YoY for F25E, growth of 9.4% (formerly 16.6%) for F26E and growth of 14.2% in F27E driven primarily by QAPs™.
- **Gross margins/expenses/EBITDA**: FQ3/25 **gross margins** declined to 40.8% vs 54.3% in FQ3/24, due to lower fixed costs recoveries and unfavourable sales mix. **Total operating expenses** increased 6.3% in FQ3/25 YoY, in line with our expectations, because of general investment, increased trade show attendance; and new product development and launches. The net effect of lower revenues, lower gross margin and higher expenses resulted in an adjusted **EBITDA** margin of -25.5% in FQ3/25 vs 11.7% in FQ3/24.
- **Cash Position:** In FQ3/25, MBX reported a sequential decrease in cash balances of $2.4m vs FQ2/25 to $12.1m from $14.5m principally due to 1.9m cash absorbed by operating activities.
- **Kinlytic® Update**: We continue to expect sBLA approval in late calendar 2027 along with the final development milestone royalty of US$1.0m at that time. Once the product is sold commercially, sales milestones and ongoing royalties will apply.
- **Valuation**: Based our F27E forecasts, we raise our target to $0.55 (from $0.50) derived from 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. We will reassess the valuation of Kinlytic® urokinase following the sBLA filing.

Revenues

Throughout this report we refer to the "base business" as being the business excluding any Kinlytic® royalties.

MBX reported its weakest quarter since FQ1/23 due to lower sales to two major clients – the distributor to China, and the other a customer that canceled a significant development program. The base business revenues declined 31.4% to $3.5m from $5.1m in the prior year (Figure 1) due primarily to the decline in Antigen sales. There were no Kinlytic® royalties recognized during the quarter, as expected.

Figure 1: MBX revenues ($000's)

	FQ3/25	FQ3/24	% change	Explanation
Antigen products	1,832	3,276	-44.1%	Slower sales into China
QAPs™	1,516	1,670	-9.2%	Loss of QDEL development program
Royalties	124	113	9.1%	
Base business	3,472	5,059	-31.4%	
Kinlytic® royalties	-	-		Receipt of final licensing payment expected F27E
Total revenues	**3,472**	**5,059**	-31.4%	

Source: Company reports; KRC Insights

Antigen products. Antigen revenues declined by 44.1% YoY due to the slowdown into China through the company's distribution partner. Excluding the decline in China, overall, the Antigen business grew 34% suggesting that the China comprised $1.9m of sales in FQ3/24 (Figure 2).

Figure 2: MBX Antigen geographic sales mix ($000s)

	FQ3/25	FQ3/24	% change
Rest of World	1,832	1,367	34.0%
China	0	1,909	-100.0%
	1,832	**3,276**	-44.1%

Source: Company reports; KRC Insights

The Antigen business exhibits some variability (Figure 3), as it is dependent on the purchasing patterns of a small number of larger customers, including the recent decline in sales to the Asian distributor. The ramp-up of the Asian distributor was the primary driver of revenue growth over the past 4 quarters.

Figure 3: MBX Antigen revenues ($000s)

Fiscal year	FQ1	FQ3	FQ3	FQ4	Full year
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
2025	4,267	4,318	1,832		

Source: Company reports

QAPs™. QAPs™ revenues declined by 9.2% YoY, due to two key factors: (1) a major customer shifted from parallel to serial assay development, delaying revenue, and (2) the loss of a development program.

Figure 4: MBX QAPs™ sales mix ($000s)

	FQ3/25	FQ3/24	% change
Core business	1,516	1,342	13.0%
Program changes		328	-100.0%
	1,516	**1,670**	-9.2%

Source: Company reports; KRC Insights

Excluding these losses, QAPs™ revenues grew 13% suggesting these two items contributed $328k in revenues in FQ3/24 (Figure 4).

Gross Margins

FQ3/25 gross margins declined to 40.8% vs 54.3% in FQ3/24, (Figure 5) negatively impacted by:

- **Fixed costs:** fixed portion of manufacturing costs had to be covered across fewer units produced i.e. lower sales volumes.
- **Sales mix:** unfavorable product mix, with lower sales levels for a couple of products that typically have higher margins.

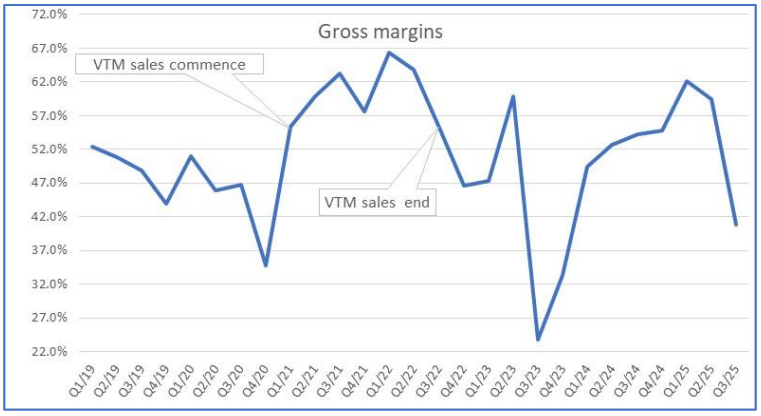
Figure 5: MBX gross margins

	FQ3/25	FQ3/24
Base business gross margin*	40.8%	54.3%

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

The quarterly trend in gross margins for the base business is shown in Figure 6.

Figure 6: MBX base business gross margins*



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

The margin results were lower than management's short-term target of over 50%, MBX continues to focus on improving production efficiency and yields in its antigen business, which is expected to reduce costs and improve margins.

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 are expected to benefit from the contribution of higher-margin QAPs™ revenues, which positively impact the overall margin profile.
- **Manufacturing Process**: MBX continues 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. Consequently, the increase in fixed costs relies on higher sales volumes for recovery.
- **Capacity Expansion**: In addition to increasing production capacity, MBX has made substantial investments to modernize its manufacturing operations (Figure 9). 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 6.3% in FQ3/25 over FQ3/24 (Figure 7), in line with our expectations:

- **Sales and marketing**: general investment and increased trade show attendance.
- **Research and development** (R&D): increased as MBX continues to invest in new products and launching them on an ongoing basis.

Figure 7: MBX expenses ($000's)

	FQ3/25	FQ3/24	% change
Selling and business development	399	365	
General and administrative	1,754	1,655	
R&D	592	563	
Total operating expenses	**2,745**	**2,583**	6.3%

Source: Company reports; KRC Insights

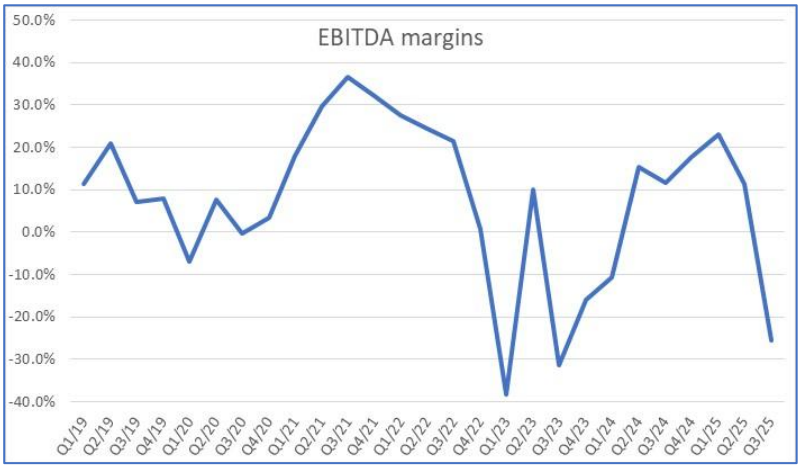
To contain costs, MBX moved certain employees to bonus on bottom-line performance-driven variable compensation. The company is not looking to make headcount cuts.

As for profitability, sales of $5.0m-$5.5m are required to achieve break-even.

EBITDA margin

The net effect of lower revenues, lower gross margin and higher expenses resulted in an adjusted EBITDA margin of -25.5% in FQ3/25 vs 11.7% in FQ3/24. (Figure 8).

Figure 8: MBX base business EBITDA margins*



Source: Company reports; KRC Insights *=excludes license payments; The low point in Q1/23 was due to $1.0m VTM write down.

Cash Flow and Balance Sheet

In FQ3/25, MBX reported a sequential decrease in cash balances of $2.4m vs FQ2/25 to $12.1m from $14.5m. Principal contributors to this movement include:

- $1.9m cash absorbed by operating activities, including $585k build in inventories;
- $195k of capex (Figure 9); and
- $267k repurchase of common shares.

Capex. MBX has made significant investments in manufacturing capacity expansion (Figure 9). Management expected capex in F25E will be ~$1.25m (formerly $2.0m), but we believe that it will now be lower (Figure 10), around $900k.

Figure 9: MBX quarterly capex ($000s)

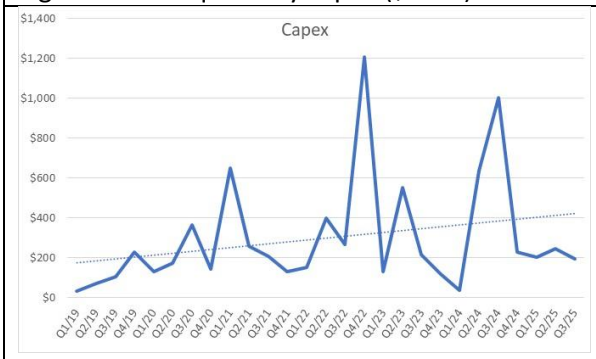


Figure 10: MBX annual capex

	$000's
2019	515
2020	814
2021	1,303
2022	2,026
2023	1,016
2024	1,908
2025E	900

Source: Company reports; KRC Insights

As we have stated prior, management estimates that these expansions will support a >$50m revenue run rate.

MBX has made effective use of government funding for its capex, as shown by long-term debt (Figure 11).

Figure 11: MBX total debt at FQ3/25 ($000's)

	Current	Non-current	Total	Detail
Long term debt	5.1	2,625.0	2,630.1	Low interest govt loans: Ontario govt $2.4m
Lease liability	207.6	1,350.3	1,558.0	Covers three facility leases
Convertible Debentures		2,217.3	2,217.3	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	212.7	6,192.6	6,405.4	

Source: Company reports, KRC Insights

The debt is well covered (Figure 12).

Figure 12: MBX FQ3/25 total capital employed ($000s)

	30/6/25
Share capital	50,711.0
Equity component of CDs	2,272.6
Contributed surplus	10,488.9
Accumulated deficit	-34,156.4
Total equity	29,316.0
Total debt	6,405.4
Total capital employed	35,721.4

Source: Company reports, KRC Insights

NCIB. During FQ3/25, MBX repurchased and cancelled 772k shares through its normal course issuer bid (NCIB) at a cost of $267k. MBX's updated share count is shown in Figure 13:

Figure 13: MBX fully diluted share count (000s)

	Shares	Options	Warrants	Convert. Deb	Total
At 31/3/25	140,260	13,669		17,391	171,320

Source: Company reports, KRC Insights

Estimates

Revenues

As previously noted, the outlook for the second half of the year (we are now in FQ4/25) is expected to be challenging for MBX due to the slowdown in antigen sales to China, compounded by the termination of QDEL's Savanna platform impacting QAPs™ revenues.

During the FQ3/25 conference call, management provided the following updates:

- **Antigens**: Despite a challenging quarter due to setbacks with China and QDEL and continued slow down in COVID-19 related sales, there are positive signs for the Antigen business. MBX reported a 34% growth in its antigen business (Figure 2), excluding the impact of the Chinese slowdown. This indicates that other clients are showing growth, which is encouraging. We expect that this growth will largely offset the loss of the China market resulting in a net -2.5% growth for F2026E and moderate growth in F2027E.

- **QAPs™:** MBX reported 13.0% growth in the QAPs™ business (Figure 4), excluding QDEL who canceled a major development program. This indicates that other clients are showing growth. In this regard, MBX has several strategies implemented to grow QAPs™ revenues and margins:
    - **Improving efficiencies and increasing yields**: MBX is focused on improving efficiencies and increasing yields in QAPs™ production. This should help reduce costs and improve margins over time.
    - **Investing in new products and capabilities**: MBX is investing in new products and capabilities, such as synthetic biology and recombinant programs. These investments are expected to drive growth F26E and F27E.
    - **Attending trade shows and promoting businesses**: MBX is continuing to invest in sales and marketing by attending additional trade shows to promote both of their businesses.
    - **Developing new products**: MBX is working to add back sales by new customers, new products, and new programs. This includes alliances with organizations like the National Center for Infectious and Parasitic Diseases of Bulgaria, which provides access to a wide library of pathogens.
    - **Launching new product lines**: MBX has recently announced a line of quantitative, well-characterized reference materials to help assay developers. This QUANTDx line will sell at lower volumes than QAPs™ but at higher prices per unit.

Based on the 13% growth in Q3/25 and the initiatives discussed above, we expect that the loss of QDEL will be offset strongly by new product introductions and organic growth.

Our outlook is shown in Figure 14 and we introduce F27E forecasts.

Figure 14: KRC Insights' MBX Revenue Forecasts ($000's)

Sept. year-end	F2025E	F2026E	F2027E	Description
Antigen products	12,316	12,009	12,609	Expecting organic growth will largely offset the China loss resulting in a -2.5% growth for F2026E and moderate growth in F2027E
% growth	-10.8%	-2.5%	5.0%	
QAPs™	5,508	7,545	9,809	Based on the 13% growth in Q3/25 and the initiatives discussed above, we expect that the loss of QDEL will be offset by new product and organic growth.
% growth	-21.5%	37.0%	30.0%	
Royalties	550	539	528	
% growth	-88.0%	-2.0%	-2.0%	
Sales of base business	18,374	20,093	22,946	
% growth base business	-27.6%	9.4%	14.2%	
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	18,374	20,093	22,946	
Total revenue growth	-27.6%	9.4%	14.2%	

Source: KRC Insights

Consequently, for the base business, we are forecasting a decline of 27.6% (formerly-24.3%) YoY for F25E, growth of 9.4% (formerly 16.6%) for F26E and growth of 14.2% in F27E driven primarily by QAPs™.

Gross Margins

Gross margins in FQ3/25 were 40.8%, negatively impacted by sales mix and the capacity expansions covered above. However, due to costs savings and sales mix improvements, we expect that margins will recover sequentially in FQ4/25E and carry over into F2026E and in F2027E off the additional benefit of the higher revenue base.

Costs

MBX is not planning significant cost-cutting measures or headcount reductions. MBX intent is to retain its skilled scientific and technical staff critical for product development and operational improvement.

MBX senior management declined an increase in fixed executive compensation recommended by third party consultants last year, favouring performance-driven variable compensation instead, which is currently not payable due to recent net losses. Facilities and equipment are considered efficient, and management prefers to focus on top-line growth rather than cutting costs to improve profitability.

Accordingly, we have forecast nominal increases in operating expenses.

EBITDA Margins

Factoring in recovering revenues in F2026E and F2027E, essentially a static cost base, we forecast that EBITDA margins will decline to 1.1% in F25E and recovering to 6.4% in F26E and 13.4% in F27E (Figure 15).

Figure 15: MBX EBITDA forecasts ($000s)

Sept. year-end	2024	F2025E	F2026E	F2027E
EBITDA	5,518	193	1,247	2,999
Margin %	21.7	1.1	6.2	13.1
Adj. EBITDA*	2,102	193	1,247	2,999
Margin %	10.1	1.1	6.4	13.4

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

Valuation

From macro perspective, we compare the MBX share price performance against a Medical Devices ETF over the past 12 months.

MBX shares have underperformed those of the iShares U.S. Medical Devices ETF (IHI-N), generating a 12-month return of -22.1% vs 2.4% of the ETF (Figure 16). IHI is a ~US$4.3bn 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.

Figure 16: MBX share price vs iShares U.S. Medical Devices ETF (pricing at 22/6/25)

Source: Respective exchanges, KRC Insights

To provide context for the 2.4% increase in the ETF share price over the past 12 months, we provide some granularity (Figure 17) limited to our subset of MBX comparable companies, some of which are included in the IHI ETF.

This comparable group of companies has experienced an average 26.8% decline in their share prices over the past year vs +2.4% for the ETF (Figure 17). This -26.8% decline (Figure 17) is materially influenced by:

- **QuidelOrtho Corporation** (QDEL-Q): QuidelOrtho was a major player in COVID-19 diagnostic testing. As global demand for pandemic-related diagnostics has waned, so has a major revenue stream resulting in lower-than-expected earnings. Also, broader market trends in the healthcare and diagnostics sector have been cautious.
- **Bio-Techne Corp** (TECH-Q): - Bio-Techne has reported mixed earnings results, with some quarters falling short of expectations. Disappointing revenue growth and margin pressures have made investors cautious. The adoption of artificial intelligence (AI) across industries is reshaping demand for traditional biotech tools. At the same time, companies are cutting back on discretionary spending, which affects Bio-Techne's customer base. Also, there have been reductions in academic and NIH support which has dampened demand; and its China exposure adds vulnerability amid broader economic uncertainty.
- **Danaher Corp** (DHR-N): Danaher benefited significantly from COVID-related diagnostics and life sciences demand. As that demand normalized, revenue growth slowed, especially in its diagnostics segment. Many biotech and pharma companies have tightened budgets due to higher interest rates and economic uncertainty which has hurt demand for Danaher's lab instruments and consumables. Also, rising input costs and supply chain challenges have squeezed margins. There have also been some significant shareholder exits.

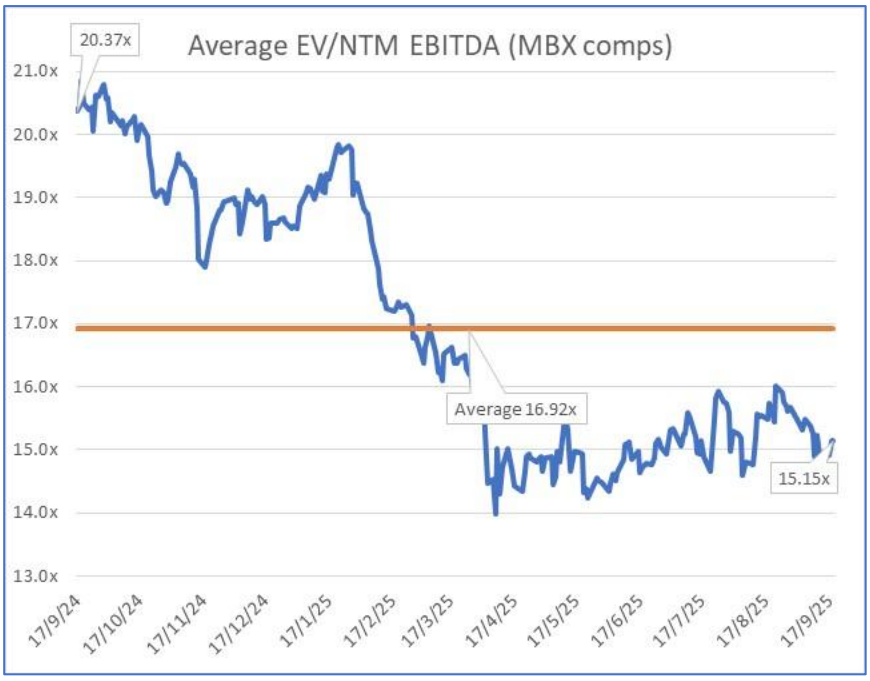
Figure 17: 12-month changes in share prices and NTM EBITDA forecasts (as of 22/9/25)

	Symbol	12-month change in share price %	12-month change in NTM EBITDA %	12-month change in EV/EBITDA multiple %
Microbix Biosystems Inc	MBX.TO	-22.1%		
Bio Rad Laboratories Inc	BIO.N	-14.1%	-4.3%	-15.6%
Bio-Techne Corp	TECH.O	-32.3%	3.1%	-36.2%
Danaher Corp	DHR.N	-30.1%	-2.3%	-28.2%
DiaSorin SpA	DIAS.MI	-24.1%	8.4%	-28.9%
QuidelOrtho Corp	QDEL.O	-37.3%	2.4%	-22.4%
Thermo Fisher Scientific Inc	TMO.N	-22.6%	1.1%	-21.4%
Average		-26.8%	1.4%	-25.4%

Source: KRC Insights

The average EV/NTM EBITDA multiple of this group (Figure 18) has declined from 20.4x to 15.2x over the 12 months (averaging 16.9x for this period). This valuation multiple decline is a function of share price declines exceeding NTM EBITDA forecasts growth, reflecting cautious investor sentiment.

Figure 18: MBX comps trend in NTM EV/EBITDA



Source: KRC Insights

The comparable company valuation table is shown in Figure 19. We compare MBX's valuation of its base business (Antigens and QAPs™), excluding the Kinlytic® urokinase asset as it is valued separately.

Based on its base business, MBX is currently trading at a discount to its peer group on an EV/2027E EBITDA basis (9.8x vs 13.2x).

Figure 19: MBX and comparable companies' valuations (pricing at 22/9/25)

					EBITDA		Revenues		Rev	EV/EBITDA		EV/Revenues	
	Symbol	Price	Mkt Cap	EV	2024	2027E	2024	2027E	Growth (p.a.)	2024	2027E	2024	2027E
Microbix Biosystems Inc*	**MBX.TO**	**0.25**	**35.1**	**29.4**	**2.1**	**3.0**	**24.0**	**22.9**	**-2.3%**	**13.97x**	**9.79x**	**1.22x**	**1.28x**
Bio Rad Laboratories Inc	BIO.N	284.07	7,691.7	7,520.3	468.2	517.0	2,578.3	2,761.3	3.5%	16.06x	14.55x	2.92x	2.72x
Bio-Techne Corp	TECH.O	53.15	8,275.1	8,458.9	423.1	555.8	1,216.9	1,489.7	10.6%	19.99x	15.22x	6.95x	5.68x
Danaher Corp	DHR.N	193.29	138,405.6	152,811.6	7,567.9	9,065.3	23,779.1	28,004.2	8.5%	20.19x	16.86x	6.43x	5.46x
DiaSorin SpA**	DIAS.MI	78.66	4,416.7	5,106.2	391.2	520.8	1,191.3	1,445.1	10.1%	13.05x	9.81x	4.29x	3.53x
QuidelOrtho Corp	QDEL.O	28.78	1,954.2	4,408.8	545.1	736.4	2,774.2	2,922.5	2.6%	8.09x	5.99x	1.59x	1.51x
Thermo Fisher Scientific Inc	TMO.N	479.58	181,095.2	210,025.2	10,797.7	12,575.6	42,779.3	48,698.9	6.7%	19.45x	16.70x	4.91x	4.31x
Totals/**Average**							74,319.2	85,321.8	**7.1%**	**16.14x**	**13.19x**	**4.51x**	**3.87x**
*=Forecasts for base business only as KU asset valued seperately													
**=Euros													

Source: KRC Insights

Our valuation for MBX (Figure 20) is based on the following metrics:

- We apply a 15.0x EV/2027E EBITDA multiple – a slight premium to the average of MBX's US-listed peers of 13.2x (Figure 19) based on our forecast QAPs™ revenue growth rate.
- Our fully diluted number of shares anticipates the conversion of the convertible debenture (Figure 13).
- 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 in late calendar 2027. We will adjust our valuation of Kinlytic® urokinase further once the sBLA is filed.

We raise our target of $0.55 (from $0.50) derived from 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 20: MBX valuation ($000s)

		F2027E
Adj. EBITDA (2027E)	$000s	2,999
Multiple	x	15.0x
Enterprise Value	$000s	44,986
Add: Cash 2027E	$000s	11,706
Less: Debt 2027E*	$000s	2,878
Implied market cap	$000s	53,814
Kinlytic urokinase	$000s	40,000
MBX valuation	$000s	93,814
FD # shares*	000s	171,320
Share price	$	0.55
Rounded	**$**	0.55
***=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

To provide context for our notional valuation of the KU asset, we estimate that MBX could earn $.011/share from Kinlytic urokinase sales royalties in F2033. This represents the US market and catheter clearance only.

Applying a 16.0x PE multiple and discounting at 10% p.a., we derive a potential valuation of $1.00/share on this revenue stream. Our current valuation of $40m equates to $0.23/share, implying a potential net increase of $0.77 to our target price when we transition to this valuation approach post receipt of the sBLA.

Figure 21: MBX historical and forecast income statement ($000s)

Sept. year-end $000's	2024	Q1/25	Q2/25	Q3/25	Q4/25E	2025E	2026E	2027E
Antigen products	13,814	4,267	4,318	1,832	1,900	12,316	12,009	12,609
% growth	44.0%	118.4%	5.0%	-44.1%	-57.5%	-10.8%	-2.5%	5.0%
QAPs™	7,016	1,627	864	1,516	1,500	5,508	7,545	9,809
% growth	37.9%	-27.6%	-38.2%	-9.2%	-11.7%	-21.5%	37.0%	30.0%
Royalties & Other	4,565	150	143	124	133	550	539	528
% growth	148.7%	-96.4%	17.4%	9.1%	7.0%	-88.0%	-2.0%	-2.0%
Total Sales	25,394	6,044	5,325	3,472	3,533	18,374	20,093	22,946
Total revenue growth	53.8%	-28.1%	-5.5%	-31.4%	-43.9%	-27.6%	9.4%	14.2%
Cost of goods sold	(10,002)	(2,291)	(2,156)	(2,057)	(1,969)	(8,474)	(9,005)	(9,840)
Gross Margin	15,392	3,753	3,168	1,415	1,564	9,900	11,087	13,107
Selling and business development	(1,476)	(367)	(455)	(399)	(450)	(1,672)	(1,700)	(1,836)
General and administrative	(7,886)	(1,816)	(2,025)	(1,754)	(2,012)	(7,607)	(7,800)	(8,031)
Research and development	(2,125)	(600)	(510)	(592)	(596)	(2,297)	(2,300)	(2,295)
Other								
Total costs	(11,487)	(2,783)	(2,990)	(2,745)	(3,059)	(11,576)	(11,800)	(12,162)
Operating (Loss)/income	3,905	970	179	(1,330)	(1,495)	(1,676)	(713)	945
Interest paid	(234)	(113)	(158)	(157)	(150)	(578)	(688)	(673)
Net income before taxation	3,671	857	21	(1,643)	(1,645)	(2,253)	(1,401)	272
Taxation	(151)							
Net income	3,520	857	21	(1,643)	(1,645)	(2,253)	(1,401)	272
EPS - Basic	$ 0.03	$ 0.01	$ 0.00	($ 0.01)	($ 0.01)	($ 0.02)	($ 0.02)	($ 0.00)
EPS - FD	$ 0.02	$ 0.01	$ 0.00	($ 0.01)	($ 0.01)	($ 0.02)	($ 0.02)	($ 0.00)
	2024	Q1/25	Q2/25	Q3/25	Q4/25E	2025E	2026E	2027E
Gross profit %	60.6	62.1	59.5	40.8	44.3	53.9	55.2	57.1
Operating margin %	15.4	16.1	3.4	(38.3)	(42.3)	(9.1)	(3.5)	4.1
EBITDA $000's	5,518	1,405	607	(885)	(934)	193	1,247	2,999
EBITDA margin %	21.7	23.2	11.4	(25.5)	(26.4)	1.1	6.2	13.1
Adj. EBITDA* $000's	2,102	1,405	607	(885)	(934)	193	1,247	2,999
Adj. EBITDA margin* %	10.1	23.2	11.4	(25.5)	(26.4)	1.1	6.4	13.4
Effective tax rate %	4.1	--	--	--	--	--	--	--
Net margin %	13.9	14.2	0.4	(47.3)	(46.6)	(12.3)	(7.0)	1.2

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 FQ3/23, 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 FQ3/24.
- **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[1], 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 FQ3/24 conference call, management provided the following updates:
    - MBX has a Contract Development and Manufacturing Organization (CDMO[2]) working on upgrading the drug substance, the purified urokinase protein for regulatory filings, and those

[1] **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.
[2] 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 22).
- **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[3] ….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."
- **13/2/25**: On the MBX FQ1/25 conference call, management stated that:
    - **Camron Groome:** "our Kinlytic, biologic therapeutics program is progressing extremely well".
    - **Ken Hughes:** "…the relationship with Sequel is fine, everything is on schedule, there's no change to the timeline. We're moving forward nicely with the international CDM, which is working on the drug substance, which is the purified product. Sequel has just, in collaboration with Microbix identified the CDMO, the contract manufacturer, who will fill the finished product and package it…we're already talking about the next indications, the next jurisdictions, looking at stroke, looking at heart attacks, and things of that nature. Pulmonary embolism and deep vein thrombosis, the bigger indications to drive this franchise to multibillion dollar opportunities…"
- **5/5/25:** MBX issued a PR stating that:
    - Sequel, its funding and commercialization partner, had executed an agreement with a leading international contract development and manufacturing organization (CDMO) for production of the formulated and packaged drug of Kinlytic® urokinase ("Kinlytic"), for dissolving blood clots.
- **15/5/25:** On the MBX FQ2/25 conference call, management stated that:
    - **Cameron Groome: "**Kinlytic is moving forward as well… encourage everybody to review our news release from May 5th, which describes the latest progress and that's the second biggest contract in spend associated with the return of Kinlytic to market".
    - **Ken Hughes:**" …the relationship with both CDMOs continues to be very constructive, and on pace and on track." As an FYI, Mr. Hughes also detailed the competitive advantage between high molecular weight and the MBX product, Urokinase, which is low molecular weight.
- **14/8/25:** On the MBX FQ3/25 conference call, management stated that:
    - **Ken Hughes:" …** we continue to move forward at the pace described. Work is ongoing. Our relationship with Sequel is excellent. The contract manufacturing organizations for the drug substance, the active pharmaceutical ingredient… and the drug product, the filled and finished product are underway. "

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

While Sequel is a private entity, and hence under no obligation to provide updates, management provides updates on the quarterly conference call but also 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 FQ3/23 (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 FQ3/24.

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.

Timelines

In Figure 22 we provide a list of timelines as they pertain to the Sequel agreement (no changes).

Figure 22: 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 on the understanding that there is a net impact which reflects the addition of the new methodology and the removal of the old:

- **$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).

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