

First Take

Kazia Therapeutics Limited (KZIA)

December 7, 2021

Price: \$7.92; Market Cap (M): \$116; 12/6/2021 Close

Rating: Buy; Price Target: \$17.00

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Phase 2 In Line With Expectations; A Catalyst-Rich 2022; Reiterate Buy

P2 final results confirm paxalisib efficacy. On December 3, Kazia announced the final results from the Phase 2 study of paxalisib, the company's lead PI3K inhibitor, for the treatment of newly diagnosed glioblastoma multiforme (GBM). According to the company, patients treated with paxalisib (n=30) achieved a median overall survival (mOS) of 15.7 months and a median progression-free survival (mPFS) of 8.4 months, which compare favorably to historical mOS of 12.7 months and mPFS of 5.3 months when treated using standard-of-care temozolomide. While we note that the final mOS results are slightly lower than the 17.5 months reported during the interim readout, we nonetheless believe that it represents a significant improvement over current standard-of-care. Furthermore, paxalisib maintained its advantage over temozolomide in terms of mPFS, which provides us with additional confidence in a positive outcome from the ongoing Phase 3 GBM AGILE study. Considering the significant unmet need in the treatment of GBM, we believe that paxalisib has the potential to become the new treatment of choice for this indication.

Multiple clinical readouts expected in 2022. In addition to GBM AGILE, the company is working with several academic institutions to investigate the use of paxalisib across multiple indications, with several early-stage studies expected to report interim results next year. Some of the noteworthy results we are expecting include: (1) initial results from the Phase 2 Her-2 positive breast cancer brain metastases in 1H22; (2) initial results from the Phase 2 brain metastases study by the Alliance Group in 1H22; (3) initial results from the Phase 1 brain metastases study at Memorial Sloan Kettering in 1H22; and (4) initial results from the Phase 1 dose-escalation study of EVT801, the company's VEGFR3 inhibitor, in 2H22. We believe that positive results from these studies could become major catalysts for the stock.

Valuation. We maintain our Buy rating of KZIA and our 12-month price target of \$17.00 per ADS. We derive our price target based on a risk-adjusted net present value (rNPV) analysis of projected future royalty revenues from paxalisib, assuming an 14% discount rate and a 0% terminal growth rate. We derive an rNPV of A\$374M for the product and add in *pro forma* net cash and cash equivalents of A\$31M, to arrive at a 12-month price target of \$17 per diluted ADS.

Risks: (1) clinical; (2) commercial; (3) financial; (4) partnership; (5) intellectual property; and (6) impact from COVID-19.



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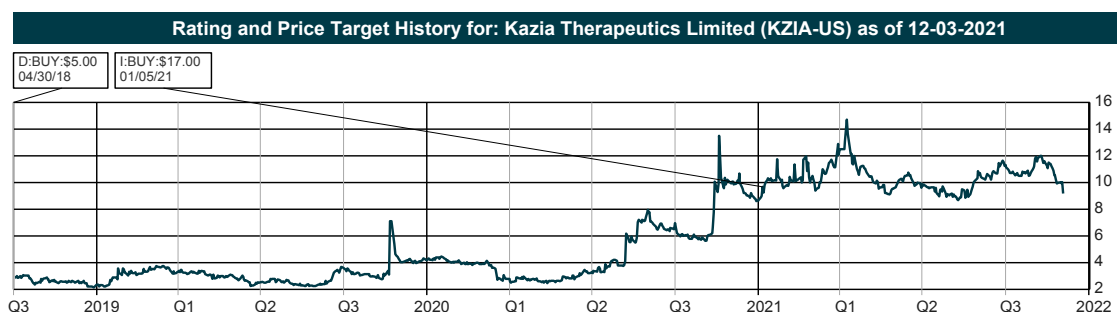
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| Distribution of Ratings Table as of December 3, 2021 | | | | |
|--|-------|---------|---------------------------|---------|
| Ratings | Count | Percent | IB Service/Past 12 Months | |
| | | | Count | Percent |
| Buy | 557 | 90.57% | 201 | 36.09% |
| Neutral | 54 | 8.78% | 12 | 22.22% |
| Sell | 1 | 0.16% | 0 | 0.00% |
| Under Review | 3 | 0.49% | 1 | 33.33% |

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