

# Incannex Healthcare

Q123 trading update

An encouraging start to the new financial year

Pharma and biotech

Incannex Healthcare's Q123 cash flow report highlighted two key developments in the company's drug pipeline, including positive preliminary safety data from the Phase 1 clinical trial of IHL-675A (an anti-inflammatory drug) and a constructive pre-investigational new drug (IND) meeting with the FDA for IHL-216A, an inhaled drug product for the treatment of traumatic brain injury (TBI). With the APIRx acquisition adding 22 drug development projects (both pre-clinical and clinical) to its portfolio, the company now boasts a broad pipeline, with discussions ongoing with the Monash University to strengthen its pipeline further. With a cash balance of A\$33.4m (US\$21.4m) at end-Q123, Incannex is well placed to fund its operations into FY24 and its recent inclusion in Standard and Poor's ASX 300 Index should further enhance visibility. Our valuation remains unchanged at US\$714.7m or US\$11.74 per ADR.

| Year end | Revenue (A\$m) | PBT* (A\$m) | EPS* (c) | DPS (A\$) | P/E (x) | Yield (%) |
|----------|----------------|-------------|----------|-----------|---------|-----------|
| 06/21    | 2.0            | (8.2)       | (0.83)   | 0.0       | N/A     | N/A       |
| 06/22    | 0.8            | (14.9)      | (1.25)   | 0.0       | N/A     | N/A       |
| 06/23e   | 0.0            | (20.6)      | (1.38)   | 0.0       | N/A     | N/A       |
| 06/24e   | 0.0            | (33.4)      | (2.24)   | 0.0       | N/A     | N/A       |

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

During the quarter, Incannex made encouraging progress towards clinical advancement of its drug assets. Following approval from the Bellberry Human Research Ethics Committee for the Phase I study of its anti-inflammatory drug IHL-675A, the company reported encouraging preliminary safety data (healthy volunteers; n=36) from the trial (refer to our [note](#) for more details) and has commenced preparation for Phase II clinical trials, which will initially target patients with rheumatoid arthritis, followed by inflammatory bowel disease and lung inflammation. Final data from the Phase I study will be released in Q1 CY23.

In addition, Incannex reported a constructive [IND](#) meeting with the US FDA for its proprietary inhaled drug product IHL-216A for the treatment of concussion and TBI, with the FDA providing detailed feedback and guidance on the most efficient clinical trial development plan to effect successful commercialisation, in particular related to developing an inhaled drug. As the next step, Incannex is preparing a follow-up request seeking additional information on the FDA's recommendations. The company also partnered with Curia Global, a US-based contract research and manufacturing organisation (CDMO) in August 2022 to develop and manufacture GMP-grade IHL-216A.

Moreover, IHL-42X, Incannex's most advanced program for the treatment of obstructive sleep apnoea, has completed a Phase II study and is preparing for an IND to initiate FDA regulated trials, which management expects in CY23 (update expected in December 2022).

In a separate development, we see the appointment of Mr Robert B Clark, a regulatory affairs expert, to the board of directors as a positive step as the company gears up for regulatory trials in the near future.

31 October 2022

**Price** **US\$4.2**

**Market cap** **US\$211m**

ADR/Ord conversion ratio 1:25

Net cash (US\$m) at end Q123 21.4

ADRs in issue 60.9m

ADR code IXHL

ADR exchange NASDAQ-GM

Underlying exchange ASX

Depository DBK

## Share price performance



## Business description

Incannex Healthcare is an Australian dual-listed biotech company focused on developing medicinal cannabis pharmaceutical products and psychedelic medicine therapies. These therapies are being designed to target indications with unmet need, including obstructive sleep apnea, generalized anxiety disorder, trauma and inflammatory conditions.

## Analysts

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