Recce Pharmaceuticals

Funding the next stage of R327G development

Financing and programme update

Healthcare

15 July 2026

Recce successfully raised A$4m from institutional investors and is raising an additional A$4m as part of a share purchase plan (SPP). These funds will support ongoing operations, including the company's Indonesian-focused Phase III study of lead anti-infective drug candidate RECCE 327 (R327), for the treatment of diabetic foot infections (DFIs). The company is on track to launch the topical gel formulation (R327G) of the drug in Indonesia by end-CY26 (and other ASEAN territories in CY27), pending positive interim results from the study (expected in Q3 CY26). Recce also recently signed a letter of intent with a leading Middle Eastern pharmaceutical company to commercialise R327G in the region. We value Recce at A$657.3m (or A$2.19 per share), versus A$611.2m (or A$2.28 per share) previously.

Year end	Revenue (AUDm)	PBT (AUDm)	EPS (AUD)	DPS (AUD)	P/E (x)	Yield (%)
6/24	4.9	(17.8)	(0.10)	0.00	N/A	N/A
6/25	7.0	(22.1)	(0.09)	0.00	N/A	N/A
6/26e	9.6	(16.4)	(0.06)	0.00	N/A	N/A
6/27e	8.2	(47.2)	(0.16)	0.00	N/A	N/A

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

MENA term sheet adds new growth driver for R327G

Recce signed a non-binding term sheet with a listed Middle Eastern pharmaceutical company in May 2026 to enter into an exclusive R327G licensing agreement for the treatment of DFIs in the Middle East and North Africa (MENA). The parties intend to finalise an agreement in Q3 CY26, which would cover the Kingdom of Saudi Arabia (KSA), Gulf Cooperation Council (GCC) countries, as well as Egypt, Algeria and Morocco. Recce would receive 30% of the net selling price (estimated at US$1,500 per treatment) plus an additional 6% royalty on net sales exceeding US$50m per year. Diabetes remains a significant burden across the MENA region, including Saudi Arabia, where around 23% of residents are affected. The Indonesian Phase III study should support regulatory efforts in the covered region, and we model commercialisation in CY27.

Recce starts Australian DFI Phase III study

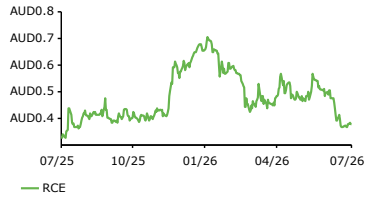
In June, Recce received regulatory approval to proceed to an Australian pivotal Phase III study of R327G in patients with DFIs, including patients with mild to moderate infections and infected ulcers below the knee. Recce expects the Phase III study to enrol 200 patients in total by the end of CY27, and an interim analysis is planned once 50% of patients have completed treatment. We continue to model potential commercialisation in Australia and the US in H2 CY28.

Valuation: Adjustments for MENA deal, share count

Our valuation is based on a relative risked net present value (rNPV) calculation with a 12.5% cost of equity. We have rolled forward our estimates, adjusted for the share count post the placement, included contributions from the expected MENA R327G arrangement and made other minor changes. We now obtain an rNPV, including A$8.1m FY26 estimated net debt, of A$657.3m (or A$2.19 per share), versus A $611.2m (or A$2.28 per share) previously.

Price	**AUD0.385**
Market cap	**AUD115m**
Gross cash/(debt) at 31 March 2026	AUD1.7m
Shares in issue	299.5m
Code	RCE
Primary exchange	ASX
Secondary exchange	FSE

Share price performance



%	1m	3m	12m
Abs	(23.8)	(25.2)	16.7
52-week high/low		AUD0.7	AUD0.3

Business description

Recce Pharmaceuticals is an Australian company developing its novel, broad-spectrum synthetic polymer anti-infective drugs for the treatment of several infectious diseases, including diabetic foot infections, sepsis, acute bacterial skin and skin structure infections, burn wound infections and urinary tract infections.

Next events

FY26 results	August 2026
Interim results from Phase III Indonesian DFI study	Q3 CY26

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Financing to extend cash runway

Recce is raising A$8m of equity through the combination of an institutional A$4.0m share placement, priced at A$0.40/share (a 13.0% discount to the 23 June closing price of A$0.46) and an SPP to existing investors designed to raise up to an additional A$4.0m by allowing them the purchase shares on similar terms. Participants in both the placement and the SPP will receive one 'attaching' option for every two shares issued. Each attaching option can be exercised (until 30 June 2027) at A$0.60 per option for the issuance of one new common share and two 'piggyback' options, with each piggyback option allowing the holder to purchase one common Recce share at A$1.00 per share. The placement has now completed and settled, with the 10.0m new shares listed for trading. The issuance of the attaching options and as applicable, the piggyback options are subject to shareholder approval at an upcoming extraordinary general meeting (EGM) scheduled on or before 31 August.

Under the SPP, eligible shareholders will be able to purchase up to A$30k of common shares (plus applicable attaching options) at the offer price of A$0.40 per share, irrespective of the size of their shareholding in Recce. In a situation where total demand exceeds the A$4m offered, Recce may, in its absolute discretion and subject to local compliance laws, decide to increase the amount to be raised under the SPP.

The company expects funds raised under the SPP and placement to be allocated towards the following areas:

- A$4.0m is expected to be deployed towards strengthening the balance sheet, meeting general working capital needs and supporting the company's initiatives towards finalising a commercial licensing agreement for R327G with a leading Middle Eastern pharmaceutical company and meeting the commercial requirements of this arrangement (described further below)
- A$2.0m is planned to be allocated towards ongoing clinical studies, including completion of the current Phase III Indonesian registrational clinical trial for R327G for DFIs and the initiation of a Phase III DFI registrational clinical trial in Australia
- A$2.0m for regulatory activities including enabling an FDA Investigational New Drug (IND) application for R327G (to permit clinical studies for R327G in the US) and to support regulatory approval applications for R327G with the Indonesian drug regulator (BPOM), provided data from the ongoing Indonesian Phase III study is supportive.

The SPP opened on 6 July and is expected to close on 20 July. Results of the SPP are expected to be announced by 27 July and shares issued under the SPP are expected to commence trading on 28 July.

Indonesian Phase III study still on track for interim data in Q3 CY26

The Indonesian Phase III registrational DFI study, which started in September 2025, is a double-blinded, placebo-controlled design, with a planned total enrolment of up to 310 patients, where R327G will be compared to placebo. The study has activated five clinical study sites across one of the world's largest DFI patient populations. While the company expects the full study to run for approximately 12–18 months, it believes that interim results (on c 155 patients), anticipated in Q3 CY26, may demonstrate a statistically significant efficacy result, and pave the way for a regulatory approval application in Indonesia in H2 CY26 with potential regulatory approval in the country before year-end CY26.

As highlighted in our prior note, DFIs are frequent complications of patients who have diabetes mellitus, with more than 40 million people having diabetes in the US (and Recce estimates c 21 million adults in Indonesia alone). Among this population, about 2–4% will experience foot ulceration each year, of which 50–60% will result in DFIs due to the invasion and multiplication of surrounding microorganisms in the area. DFIs are the leading cause of foot morbidity in diabetic patients as well as the most common complication from diabetes leading to hospitalisation. One of the key competitive advantages for R327G in the treatment of DFIs is that, to our knowledge, no topical antibiotic has specific globally recognised approval for usage in this indication. Hence, success in the indication could present a substantial opportunity for Recce's R327G, as we expect a standalone topical therapeutic option would be convenient for patients (given the relative ease of drug administration), aid in treatment compliance, provide a concentrated dose at the presumed site of interest and lower the risk of systemic side effects often associated with oral or IV antibiotics.

In April, Recce received a positive outcome from a comprehensive regulatory clinical trial site review and inspection conducted by BPOM. The inspection is part of BPOM's typical regulatory oversight procedures. It was completed with no findings that impede the study from continuing to completion, and BPOM has not requested any changes to the ongoing clinical trial, which is still on track to release interim data in Q3 CY26.

If study results are positive, we continue to assume a potential launch in Indonesia in H2 CY26 as our base case, although we recognise this timeline is ambitious and regulatory delays could push the launch into CY27. We continue to assume launch into other ASEAN territories (which include Malaysia, the Philippines, Singapore and Thailand) to CY27.

Recce starts Australian Phase III DFI study

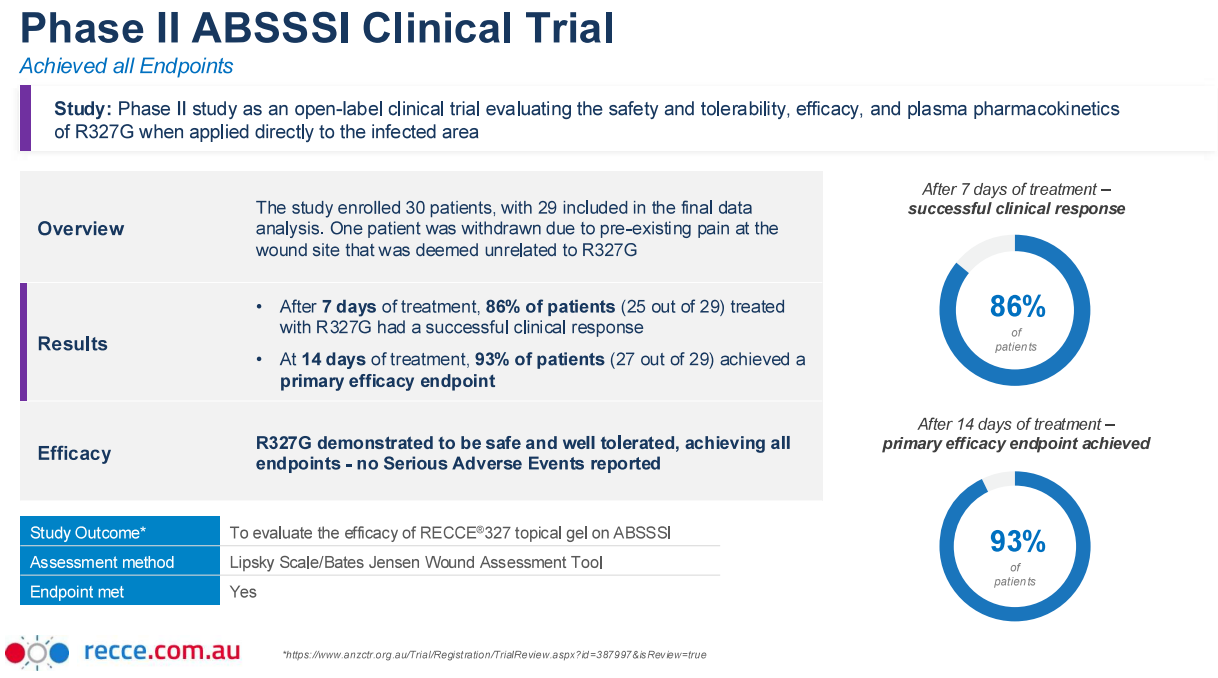
In June, Recce announced that it had received regulatory approval to proceed to an Australian Phase III study of R327G in patients with DFI. This clearance was obtained through a protocol amendment of the company's prior Phase II study of R327G for the treatment of DFIs, which now advances the study to a pivotal Phase III study level. The protocol amendment expands study eligibility to include patients with moderate DFI (in addition to patients with mild DFI), which can broaden the eligible patient population for R327G and potentially help accelerate study enrolment. Recce estimates that this expanded population could comprise c 80% of DFI presentations. In addition to foot ulcers, the study will include the recruitment of patients with infected ulcers below the knee. The company expects this to enable an additional primary endpoint based on individual ulcers, potentially increasing the statistical study power.

Recce expects the Phase III study to enrol 200 patients in total by the end of CY27, with 18 patients having already completed the study. An interim analysis is expected once 50% of patients have completed treatment.

The study builds on positive results reported in February 2025 from the company's open-label Phase II Australian study for R327G in the treatment of acute bacterial skin and skin structure infections (ABSSSI), including patients with DFIs. The Phase II was designed to assess R327G's effectiveness and safety in treating a broad range of ABSSSI indications, which, in addition to DFIs, can include necrotising fasciitis, post-operative wound infections, simple abscesses, boils, cellulitis and others. In the Phase II ABSSSI trial, R327G was applied once daily for seven days to the site of infection, with a possible additional seven-day R327G treatment period considered at the investigator's discretion if indicated.

The study achieved all primary and secondary efficacy endpoints and met plasma pharmacokinetics (PK) expectations. After seven days of treatment, 86% of patients (25 of 29) treated with R327G had a successful clinical response, and at 14 days of treatment, 93% (27 of 29) had achieved a primary efficacy endpoint. R327G was also reported to be safe and well tolerated, with no serious adverse events. Study efficacy outcomes in this Phase II study were measured using the Lipsky Clinical Resolution of Infection Scale and/or the Bates Jensen Wound Assessment Tool, both FDA-recognised measures. Importantly, the Phase III Australian DFI study will use the Lipsky scale to assess clinical response as the primary endpoint.

Exhibit 1: Phase II ABSSSI study results



Source: Recce Pharmaceuticals Corporate presentation

Given that the company has designated that part of its objective for the current fund-raising is to obtain FDA IND clearance, we are confident in our existing assumption that Recce will receive IND clearance by year-end CY26, which would permit the inclusion of US study sites.

We continue to model that potential commercialisation for R327G in ABSSSI (including DFIs) will occur in H2 CY28 in the US and Australia. We believe the company's near-term focus on advancing the ABSSSI and DFI indications for R327G provides a clear path to future revenues.

Term sheet for licensing R327G to the MENA region

Recce signed a non-binding term sheet with an established publicly listed Middle Eastern pharmaceutical company ('the licensee') to enter into an exclusive licensing agreement covering the sales and distribution of R327G for the treatment of DFIs in MENA. The parties intend to finalise an agreement in Q127 (Q3 CY26), which, if finalised, would represent a material external validation of Recce's R327G programme.

The term sheet calls for the formation of a 10-year exclusive agreement between Recce and the licensee for commercialisation in countries including the KSA, GCC countries, as well as Egypt, Algeria and Morocco. The finalised agreement would be expected to include an upfront fee, plus milestones totalling up to A$5m. Gross pricing terms for R327G under the MENA agreement is proposed at US$1,500 per treatment, which we note is meaningfully higher than our current pricing assumption (US$750 net price) for the Indonesian and ASEAN markets. Under the proposed term sheet, Recce would receive 30% of the net selling price, plus an additional 6% royalty on net sales exceeding US$50m per year. The licensee is reported to have a multibillion-dollar market capitalisation and a distribution network serving over 30 international markets.

The parties plan to use study data from the ongoing Indonesian Phase III DFI study to support regulatory submissions in the covered MENA territories. Recce would also be responsible for the manufacture and supply of R327G. We believe the company has already demonstrated the required capabilities to meet this requirement through its prior successful production of drug batches at its in-house pilot facility.

As in the ASEAN territories, diabetes remains a significant burden across the MENA region, with a reported prevalence of 84m in the region, including c 23% of residents of Saudi Arabia.

While the full transaction has not yet been concluded, we are now including potential R327G sales from MENA countries in our financial model and valuation, based on the terms cited above. We estimate that of the covered countries, Egypt, Algeria, Morocco and the KSA carry the highest combined prevalence of diabetes. For conservatism, we also assume potentially more modest net pricing in Egypt, Algeria and Morocco compared to the GCC countries. We assume potential commercialisation starting in CY27 in these territories, resulting in peak net commercial sales (by the pharma partner) of c A$140m in CY34. While we continue to apply a 45% probability of success (PoS) for R327G DFI commercialisation in Indonesia and ASEAN countries, given that the full transaction for MENA with the prospective pharma partner has not yet been finalised, we currently apply a 35% PoS for R327G commercialisation in this market. We expect to raise our PoS estimate upon the formal signing of a definitive licensing transaction. All in, the MENA opportunity now adds an rNPV of c A$49m to our valuation of Recce, as discussed further below.

Financials

In the company's Appendix 4C Update, Recce confirmed it received A$5.5m in Research and Development Tax Incentives (RDTI) and other government grants, resulting in a net operating cash inflow of A$1.6m. The company ended Q326 (period ending 31 March) with A$1.7m in gross cash and at end-June 2026 it received an additional A$3.7m income tax refund from the Australian Tax Office (ATO), completing its tax rebate for the FY25 fiscal year (period ending 30 June 2025).

Our financial model includes the A$4m raised as part of the institutional share placement (as part of Q426 cash inflows), although we do not yet include the SPP in our model as this process is ongoing and as of writing the market price for Recce shares is slightly under the offer price of A$0.40. Given the receipt of the A$4m (gross) placement, and the A $3.7m income tax refund at quarter-end, we estimate that the company ended FY26 (30 June) with A$1.8m in gross cash. Recce ended H226 (December 2025) with A$9.9m in gross debt, and we assume this amount has not changed.

The company calculates that its pro forma cash liquidity at 30 June 2026 is A$33.1m, which assumes completion of the SPP (A$4m), its anticipated upcoming RDTI rebate (A$7.5m; which may potentially be received before year-end CY26)

from the ATO (and corresponding to its FY26 R&D activities), the drawdown of A$10m from its debt facility with Avenue Capital, and a R&D Advance credit (A$10m) against additional future anticipated RDTI payments.

We have made minor adjustments to our FY26 and FY27 forecasts given the Q326 4C statement and recent trends. We now expect FY26 net R&D expense of A$13.6m (vs A$15.7m previously) and SG&A of A$11.2m (vs A$12.6m). We reduced our R&D expenditure forecast as the company reported 9M26 R&D expense of A$10.8m in its 4C statement, below our expectations, which we believe is due to lower-than-expected trial costs for the Indonesian Phase III DFI study. Altogether, for FY26, we now expect a normalised operating loss of A$13.8m (vs A$17.6m previously) and negative free cash flow of A$11.4m (vs A$15.7m previously). We have maintained our product launch timing forecasts, as discussed in our prior note, for all major indications (DFI and ABSSSI, sepsis/urosepsis, complex urinary tract infections and burn wounds).

For FY27, we continue to anticipate a sharp uptick in R&D expenses, given the start and progression of the Australian Phase III DFI study. We also continue to anticipate that the company may seek to include the broader ABSSSI indication as part of its Australian and US development strategy for R327G. We maintain our FY27 R&D expenditure forecast at A$38.6m, which is driven by Phase III R327G studies (Australia and potentially also in the US) in DFI/ABSSSI and the commencement of a US Phase II IV R327 study in cUTI/urosepsis. We now model FY27 free cash outflow of A$46.8m (vs A$50.1m previously).

Assuming Recce continues to develop all four planned clinical-stage indications (ABSSSI including DFIs, burn wounds, sepsis/urosepsis and cUTI), we project it would need to raise A$130m in total net proceeds by FY29 (vs A$135m previously) before becoming sustainably cash flow positive. We continue to model these raises as illustrative debt.

Valuation

Our valuation is based on a relative rNPV calculation with a 12.5% cost of equity. We have rolled forward our estimates, adjusted for the share count post the institutional placement, included contributions from the expected MENA R327G DFI partnership arrangement and made minor changes to our long-term tax expense assumptions.

Exhibit 2: Recce Pharmaceuticals rNPV valuation

Product	Indication	Launch	Sales (A$m) in 2034	NPV (A$m)	Probability of success	rNPV (A$m)	rNPV/basic share (A$)
R327 (IV)	Sepsis	CY30	3,065	3,077.0	15%	444.2	1.48
R327 (IV)	Complicated UTI	CY30	391	364.0	15%	53.3	0.18
R327 (topical)	Burn wounds	CY28	295	397.9	20%	77.3	0.26
R327 (topical)	ABSSSI	H2 CY28	411	538.1	20%	106.4	0.36
R327 (topical)	Diabetic foot infections (ASEAN)	H2 CY26	137	103.5	45%	46.6	0.16
R327 (topical)	Diabetic foot infections (MENA)	CY 27	143	138.5	35%	48.5	0.16
Corporate costs				(110.8)		(110.8)	(0.37)
Estimated net cash at 30 June 2026				(8.1)		(8.1)	(0.03)
Total equity value						657.3	2.19

Source: Edison Investment Research

Given the above, we now obtain an rNPV, including A$8.1m FY26 estimated net debt, of A$657.3m (or A$2.19 per share), versus A$611.2m (or A$2.28 per share) previously.

As stated above, we project Recce would need to raise A$130m in proceeds between FY27 and FY29 to reach sustainable positive cash flows. While we model these raises as illustrative debt, if our projected funding need is raised through equity issuances at the prevailing market price of c A$0.37, our effective value per share would decrease to A $1.21 (including cash raised via equity).

Depending on the availability of capital, the company may decide to prioritise certain programmes, which could affect the timing of launches in non-prioritised indications and our overall valuation. Our funding model assumes Recce will advance all four programmes in parallel. However, if the company prioritises R327G in ABSSSI and DFIs and puts its remaining development programmes on hold until the initial R327G commercial approval, its overall funding need would reduce as it could then apply post-launch commercial revenue towards resuming R&D and product development activities in the remaining targeted indications. Partnerships and/or non-dilutive forms of funding (such as third-party sponsorship of clinical trials) could also reduce the future funding need, although these are not specifically included in our forecasts.

Exhibit 3: Financial summary

A$(000)	2021	2022	2023	2024	2025	2026e	2027e
Year end 30 June	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue	1,857	3,085	4,311	4,906	6,971	9,558	8,191
Cost of Sales	0	0	(0)	(0)	(0)	(0)	(0)
Gross Profit	1,857	3,085	4,311	4,906	6,971	9,558	8,191
Sales, General & Administrative	(9,511)	(7,677)	(9,779)	(14,526)	(17,265)	(11,166)	(10,938)
Net Research & Development	(5,657)	(6,285)	(7,330)	(7,159)	(10,383)	(13,571)	(38,571)
EBITDA	(13,311)	(10,878)	(12,797)	(16,778)	(20,677)	(15,180)	(41,318)
Depreciation & amortisation of intangible assets	0	0	0	0	0	0	0
Depreciation, amortisation & other	(296)	(188)	(217)	(367)	(356)	(140)	(673)
Normalised Operating Profit (ex. amort, SBC, except.)	(8,389)	(10,809)	(12,689)	(17,125)	(19,696)	(13,781)	(41,991)
Operating profit before exceptionals	(13,607)	(11,065)	(13,014)	(17,145)	(21,033)	(15,320)	(41,991)
Exceptionals including asset impairment	0	0	54	143	626	(2,280)	0
Other	0	0	0	0	0	0	0
Reported Operating Profit	(13,607)	(11,065)	(12,960)	(17,002)	(20,406)	(17,600)	(41,991)
Net Finance income (costs)	94	79	(117)	(660)	(1,022)	(1,085)	(5,207)
Profit Before Tax (norm)	(13,513)	(10,986)	(13,131)	(17,805)	(22,054)	(16,405)	(47,197)
Profit Before Tax (FRS 3)	(13,513)	(10,986)	(13,077)	(17,662)	(21,428)	(18,685)	(47,197)
Tax	0	0	0	0	0	0	0
Profit After Tax and minority interests (norm)	(13,513)	(10,986)	(13,131)	(17,805)	(22,054)	(16,405)	(47,197)
Profit After Tax and minority interests (FRS 3)	(13,513)	(10,986)	(13,077)	(17,662)	(21,428)	(18,685)	(47,197)
Average Basic Number of Shares Outstanding (m)	155.4	174.1	174.0	177.1	237.0	293.9	299.5
EPS - normalised (A$)	(0.09)	(0.06)	(0.08)	(0.10)	(0.09)	(0.06)	(0.16)
EPS - normalised and fully diluted (A$)	(0.09)	(0.06)	(0.08)	(0.10)	(0.09)	(0.06)	(0.16)
EPS - (IFRS) (A$)	(0.09)	(0.06)	(0.08)	(0.10)	(0.09)	(0.06)	(0.16)
Dividend per share (A$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BALANCE SHEET							
Fixed Assets	501	439	608	1,233	1,028	1,103	462
Intangible Assets	0	0	0	0	0	0	0
Tangible Assets	501	439	608	1,233	1,028	1,103	462
Investments in long-term financial assets	0	0	0	0	0	0	0
Current Assets	21,181	12,185	1,947	5,136	11,386	2,334	25,778
Short-term investments	0	0	0	0	0	0	0
Cash	20,873	11,582	1,562	4,415	10,449	1,831	25,275
Other	308	603	386	721	937	503	503
Current Liabilities	(1,078)	(2,447)	(4,850)	(15,070)	(6,129)	(11,416)	(11,416)
Creditors	(1,078)	(2,447)	(1,802)	(5,381)	(4,603)	(9,923)	(9,923)
Short-term borrowings	0	0	(3,048)	(9,689)	(1,527)	(1,493)	(1,493)
Long-Term Liabilities	(100)	(115)	(295)	(824)	(9,337)	(9,244)	(79,244)
Long-term borrowings	0	0	0	0	(8,599)	(8,409)	(78,409)
Other long-term liabilities	(100)	(115)	(295)	(824)	(739)	(835)	(835)
Net Assets	20,504	10,061	(2,589)	(9,524)	(3,052)	(17,223)	(64,420)
CASH FLOW STATEMENT							
Operating Income	(13,607)	(11,065)	(12,960)	(17,002)	(20,406)	(17,600)	(41,991)
Movements in working capital	144	1,532	(152)	4,266	(707)	0	0
Net interest and financing income (expense)	94	79	(117)	(660)	(1,022)	(1,085)	(5,207)
Depreciation & other	296	188	217	367	356	140	673
Taxes and other adjustments	5,218	256	325	20	1,337	7,003	(0)
Net Cash Flows from Operations	(7,856)	(9,010)	(12,687)	(13,009)	(20,442)	(11,541)	(46,525)
Capex and capitalised expenditures	(76)	(40)	(39)	(142)	(26)	(29)	(32)
Acquisitions/disposals	0	0	0	0	(181)	179	0
Interest received & other investing activities	0	0	0	0	(237)	0	0
Net Cash flows from Investing activities	(76)	(40)	(39)	(142)	(444)	150	(32)
Net proceeds from share issuances	26,338	287	102	10,583	26,613	3,518	0
Net movements in long-term debt	0	0	0	5,886	591	0	70,000
Dividends	0	0	0	0	0	0	0
Other financing activities	(215)	(528)	2,604	(464)	(284)	(743)	0
Net Cash flows from financing activities	26,123	(240)	2,706	16,004	26,920	2,774	70,000
Effects of FX on Cash & equivalents	0	0	0	0	0	0	0
Net Increase (Decrease) in Cash & equivalents	18,191	(9,291)	(10,020)	2,854	6,034	(8,617)	23,443
Cash & equivalents at beginning of period	2,682	20,873	11,582	1,562	4,415	10,449	1,831
Cash & equivalents at end of period	20,873	11,582	1,562	4,415	10,449	1,831	25,275
Closing net debt/(cash)	(20,873)	(11,582)	1,487	5,274	(324)	8,070	54,627
Lease debt	127	75	251	461	643	806	806
Closing net debt/(cash) inclusive of IFRS16 lease debt	(20,746)	(11,507)	1,737	5,735	319	8,876	55,433
Free cash flow	(7,932)	(9,051)	(12,726)	(13,151)	(20,649)	(11,392)	(46,557)

Source: Company accounts, Edison Investment Research

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