

Cash for Copper

We maintain our OVERWEIGHT rating on Clarity Pharmaceuticals and increase our risked PT to \$3.12/sh (unrisked \$7.71/sh). Clarity have recently completed a \$110M institutional equity placement and entitlement offer (with ongoing retail component) that will see them funded through to CY26 including major trial programs for their PSMA directed assets (⁶⁴Cu/⁶⁷Cu-SAR-bisPSMA) as they progress through Phase II & Phase III. Removal of funding overhang from the stock will be supportive of SP momentum given Clarity still have plenty of data yet to share this year with their SABRE trial, focused on non-PSMA avid prostate cancer diagnosis, the next big catalyst in the coming months. Meanwhile, interest from big pharma in the Radiopharma space continues with AstraZeneca the latest to join the arena acquiring Fusion Pharmaceuticals and their Phase II alpha-emitter PSMA Tx asset and pipeline. We clearly note the consistent inclusion of manufacturing capabilities as part of these acquisitions. Clarity have that part of the equation now further solidified with their extended agreement with NorthStar for end product cGMP manufacture of their ⁶⁷Cu-SAR-bisPSMA therapeutic agent – continuing to make CU6 a standout target – one that is highly complementary to any alpha-focused Tx portfolio.

Key points

NorthStar clinical supply agreement expanded. CU6 have extended their 2021 isotope supply (⁶⁷Cu) agreement with NorthStar to now include finished dose supply of cGMP grade ⁶⁷Cu-SAR-bisPSMA for clinical trials (Phase I/II and III). Integrating same site manufacturing of this finish product provides logistical benefits but also strengthens the interdependence between both parties to be commercially successful given their shared focus on ⁶⁷Cu as the isotope of the future.

Funded for progress. Clarity are now well funded into CY26 following a \$110M institutional placement/entitlement with a further \$11M from the retail entitlement offer anticipated, taking their cash balance to ≥\$150M. We assess the requirement for further capital had become an overhang to the stock over the past ~3 months, now removed. This balance will fund the completion of their SECURE PSMA Tx trial, as well as ongoing Phase III CLARIFY study (primary staging) and the anticipated Phase III with the same Dx agent in the BCR indication (trial yet to be announced; ongoing research investigations), in addition to supporting ongoing Bombesin (COMBAT, SABRE trials) and SARTATE Phase II rare disease programs (NETs, Neuroblastoma).

Data readouts across 2024. SABRE topline data (non-PSMA avid PCa Dx); Phase II expansion in CL04 (Neuroblastoma diagnostic and therapy); SECURE Cohort 4 updates; BOP (non-PSMA avid PCa Dx) topline data; plus potential DISCO (NETs diagnostic) trial topline.

Forecasts. Balance sheet updated to reflect recent institutional/anticipated retail equity capital injections. Our prior funding assumptions included a total of \$150M equity capital (\$50M 1H25; \$100M 1H26) reflecting 70.5M new shares to be issued. Updated modelling now reflects a 10% reduction of prior SOI dilution assumptions (\$121M 2H24; \$50M 1H26; 63.5M new shares). This reduced diluted SOI drives our PT lift of 2%. No other changes to our modelling at this time.

Valuation. Maintain O/W. Lift risked PT to \$3.12/sh reflecting 10% reduced SOI dilution post equity raise vs WILSe. SOTP risked PT comprises: a) PSMA avid PCa \$1.98/sh; b) non-PSMA avid PCa \$0.94/sh; c) NB \$0.11/sh; and d) NETs \$0.09/sh. Unrisked PT \$7.71/sh.

Financial summary (Y/E Jun, AUD)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales (\$m)	0.0	0.0	0.0	0.0	22.2
Consensus sales (\$m)			0.0	0.0	97.1
Sales growth (%)	n/m	n/m	n/m	n/m	n/m
EBITDA norm (\$m)	(23.8)	(26.3)	(38.6)	(53.3)	(63.0)
EV/EBITDA (x)	n/m	n/m	n/m	n/m	n/m

Source: Company data, Wilsons Advisory estimate, Refinitiv, IRESS.
All amounts are in Australian Dollar (A\$) unless otherwise stated.

Wilsons Advisory Equity Research

Analyst(s) who owns shares in the Company: n/a Issued by Wilsons Advisory and Stockbroking Limited (Wilsons Advisory) ABN 68 010 529 665 – Australian Financial Services Licence No 238375, a participant of ASX Group and should be read in conjunction with the disclosures and disclaimer in this report. Important disclosures regarding companies that are subject of this report and an explanation of recommendations can be found at the end of this document.

Recommendation	OVERWEIGHT
12-mth target price (AUD)	\$3.12
Share price @ 8-Apr-24 (AUD)	\$2.78
Forecast 12-mth capital return	12.2%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	12.2%

Market cap (\$m)	851.6
Enterprise value (\$m)	786.6
Shares on issue (m)	306.3
Sold short (%)	0.0
ASX All Ords weight (%)	0.0
Median turnover/day (\$m)	0.9

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12-mth price performance (\$)



	1-mth	6-mth	12-mth
Abs return (%)	(1.4)	138.6	294.3
Rel return (%)	(0.4)	112.4	264.2

Key changes	18-Mar	After	Var %
Sales	FY24E	0.0	
(\$m)	FY25E	0.0	0%
	FY26E	22.2	0%
EBITDA	FY24E	(38.6)	0%
norm	FY25E	(53.3)	0%
(\$m)	FY26E	(63.0)	0%
Price target	3.05	3.12	2%
Rating	O/W	O/W	

Business Description

Clarity is a clinical stage radiopharmaceutical company developing next-generation theranostic (therapy and imaging) products, based on their proprietary SAR technology. SAR technology unlocks the use of copper isotopes enabling superior imaging and therapeutic characteristics of radiopharmaceutical products. With this combination, Clarity aim to address the current manufacturing and logistical limitations in the growth of the radiopharmaceutical sector in oncology.

Catalysts

a) positive clinical data readouts; b) achievement of trial endpoints; c) partnership opportunities; d) regulatory approvals.

Investment Thesis

Maintain our OVERWEIGHT rating with \$3.12/sh risked PT. Removal of funding overhang from the stock will be supportive of SP momentum given Clarity still have plenty of data yet to share this year with their SABRE trial, the next big catalyst in the coming months. Meanwhile, interest from big pharma in the Radiopharma space continues to be rampant. CU6 continues to be a standout target – one that is highly complementary to any alpha-focused portfolio.

Risks

a) unfavourable clinical trial results; b) reliance on third parties to advance asset development; c) competitive intensity of radiopharmaceutical market; d) unfavourable markets.

P&L (\$m)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	0.0	0.0	0.0	0.0	22.2
EBITDA norm	(23.8)	(26.3)	(38.6)	(53.3)	(63.0)
EBIT norm	(23.8)	(26.4)	(38.7)	(53.4)	(63.1)
PBT norm	(23.7)	(24.5)	(37.6)	(52.9)	(62.8)
NPAT norm	(23.8)	(24.6)	(37.7)	(52.9)	(64.5)
NPAT reported	(23.8)	(24.6)	(37.7)	(52.9)	(64.5)
EPS norm (cents)	(9.8)	(9.5)	(13.4)	(18.8)	(23.4)
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Growth (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	n/m	n/m	n/m	n/m	n/m
EBITDA norm	132.8	10.4	47.1	38.0	18.3
NPAT norm	133.2	3.6	53.1	40.4	21.9
EPS norm (cents)	69.3	(2.8)	41.3	40.4	24.4
DPS (cents)	n/m	n/m	n/m	n/m	n/m

Margins and returns (%)	FY22A	FY23A	FY24E	FY25E	FY26E
EBITDA margin	n/m	n/m	n/m	n/m	(284.3)
EBIT margin	n/m	n/m	n/m	n/m	(284.8)
PBT margin	n/m	n/m	n/m	n/m	(283.1)
NPAT margin	n/m	n/m	n/m	n/m	(290.8)

Interims (\$m)	1H23A	2H23A	1H24A	2H24E	1H25E
Sales	0.0	0.0	0.0	0.0	0.0
EBITDA norm	(11.8)	(14.5)	(18.1)	(20.5)	(23.4)
EBIT norm	(11.8)	(14.5)	(18.2)	(20.5)	(23.5)
PBT norm	(11.2)	(13.3)	(17.1)	(20.5)	(23.2)
NPAT norm	(11.2)	(13.4)	(17.2)	(20.5)	(23.2)
NPAT reported	(11.2)	(13.4)	(17.2)	(20.5)	(23.2)
EPS norm (cents)	(4.3)	(5.2)	(6.6)	(6.8)	(7.7)
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Stock specific	FY22A	FY23A	FY24E	FY25E	FY26E
R&D expenditure (\$m)	(18.9)	(31.5)	(39.5)	(40.5)	(57.7)
bisPSMA Dx sales (\$m)			0.0	0.0	19.6
Bombesin Dx sales (\$m)			0.0	0.0	2.6

Balance sheet (\$m)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash & equivalents	92.3	65.0	137.6	88.4	69.0
Current receivables	6.7	10.0	10.0	5.0	7.3
Current inventory	0.0	0.0	0.0	0.0	0.4
PPE	0.3	0.2	1.0	2.0	3.3
Total assets	99.8	76.9	150.3	97.1	81.7
Current payables	6.8	6.7	4.0	5.3	7.5
Total debt	0.0	0.0	0.0	0.0	0.0
Total liabilities	7.6	7.7	4.7	6.7	9.0
Shareholders equity	92.2	69.2	145.6	90.4	72.7

Cash flow (\$m)	FY22A	FY23A	FY24E	FY25E	FY26E
Operating cash flow	(13.3)	(27.5)	(40.9)	(48.1)	(65.1)
Maintenance capex	(0.2)	(0.0)	(0.9)	(1.1)	(1.4)
Free cash flow	(13.5)	(27.5)	(41.9)	(49.2)	(66.4)
Growth capex	0.0	0.0	0.0	0.0	0.0
Acquisitions/disposals	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Other cash flow	(32.1)	3.2	19.0	0.0	0.0
Cash flow pre-financing	(45.6)	(24.3)	(22.9)	(49.2)	(66.4)
Funded by equity	92.1	0.0	114.4	0.0	47.0
Funded by cash/debt	(139.0)	24.1	(206.0)	49.2	(27.6)

Liquidity	FY22A	FY23A	FY24E	FY25E	FY26E
Cash conversion (%)	56.2	110.3	108.8	91.2	101.1
Net debt (\$m)	(92.3)	(65.0)	(137.6)	(88.4)	(69.0)
Net debt / EBITDA (x)	3.9	2.5	3.6	1.7	1.1
ND / ND + Equity (%)	n/m	n/m	n/m	n/m	n/m
EBIT / Interest expense (x)	n/m	14.1	32.9	n/m	n/m

Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
EV / Sales (x)	n/m	n/m	n/m	n/m	35.3
EV / EBITDA (x)	n/m	n/m	n/m	n/m	n/m
EV / EBIT (x)	n/m	n/m	n/m	n/m	n/m
P / E (x)	n/m	n/m	n/m	n/m	n/m
P / BV (x)	7.5	10.4	4.9	8.0	11.5
FCF yield (%)	(2.0)	(3.8)	(5.8)	(6.8)	(7.9)
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Weighted shares (m)	243.1	259.0	280.6	280.6	275.0

Source: Company data, Wilsons Advisory estimate, Refinitiv, IRESS.
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