

24 February 2021

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

Mayne Pharma Group Limited

Health Care

UNDERPERFORM

MYX A\$0.31 **TARGET PRICE A\$0.28**

Mayne Pharma Group Limited (MYX) is an ASX-listed specialty pharmaceutical company focused on applying its drug delivery expertise to commercialize branded and generic pharmaceuticals. Mayne Pharma also provides contract development and manufacturing services to more than 100 clients worldwide.

Company Data

Number of shares	1,679.1M
Market Capitalisation	\$ 520.5M
Free float (%)	81.0
12-month high/low	\$0.47/\$0.195
Average Daily Turnover (\$m)	0.5735
% S&P/ASX200	0.03%
DDM Ranking	101
% All Ordinaries	0.02%
GICS Industry Group	Pharmaceuticals, Biotechnology & Life Sciences

Source: FactSet, Barclay Pearce Capital

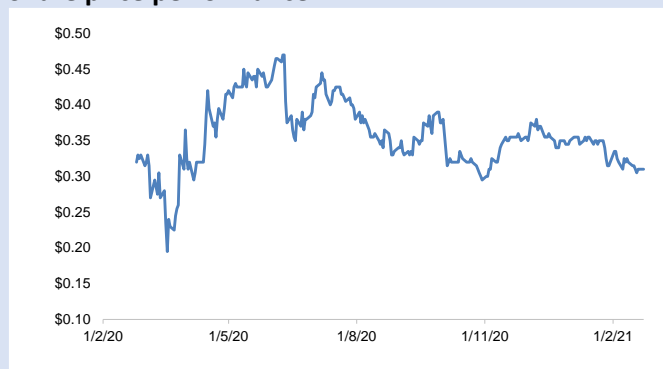
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	471.6	432.6	495.6	549.4
EBITDA (\$M)	95.3	88.0	132.4	163.3
Reported NPAT (\$M)	-92.8	-10.8	16.7	38.7
Adjusted NPAT (\$M)	-5.3	1.8	32.9	55.9
Reported EPS (c)	-6.1	-1.1	0.9	2.6
Adjusted EPS (c - FD)	-0.9	0.2	1.7	3.0
Adjusted EPS growth (%)	-189.7	-119.5	934.5	73.0
Adjusted P/E (x)	-36.4	186.8	18.1	10.4
Dividend (c/sh)	0.0	0.0	0.0	0.6
Gross yield (%)	0.0	0.0	0.0	3.3
Net yield (%)	0.0	0.0	0.0	2.3
ROIC (%)	-0.6	0.1	2.8	4.8

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

1HFY21 Media Release

On 24th February, Mayne Pharma Group Limited (MYX) released their Interim results for the half year ended 31 December 2020 with the following highlights:

- Reported revenues of \$208.8m, down 8% on 1HFY20;
- Reported EBITDA of \$40.5m, up 17% on 1HFY20 and underlying EBITDA of \$39.9m, down 16% on 1HFY20;
- Constant currency underlying EBITDA was \$44.0m down 7% on the prior corresponding period (pcp);
- Reported net loss after tax of \$181.3m driven by intangible asset impairment associated with the generic business;
- Specialty Products rebounded strongly from soft 2HFY20 and dermatology restructure drove improved profitability;
- Potential FDA approval of NEXTSTELLIS in April 2021;
- Metrics Contract Services grew sales 6% in USD terms on pcp;
- Mayne Pharma International grew sales 10% on pcp;
- Commenced marketing of four products in 1HFY21 – SOLTAMOX oral solution, DORYX;
- 80mg delayed release tablets, generic KERYDIN topical solution and chlorzoxazone tablets;
- Significant opex reduction of \$12m through streamlined global infrastructure and \$7m reduction in product development spend;
- Net operating cashflow of \$46m; and
- Net debt reduced by \$40m to \$221m.

Outlook

- Mayne Pharma's performance will be heavily influenced by the effective execution of its strategic priorities and will depend on many factors including movements in the US dollar, the timing of FDA approvals and competitor launches and withdrawals on key products;
- The US retail generic market continues to be highly competitive with increased pressure driven by new entrants in certain on market and pipeline products;
- The key strategic priority is to return Mayne Pharma to growth through repositioning the Company into sustainable products, distribution channels and therapeutic areas; and
- Key drivers of this transformation are expected to be the successful commercialisation of NEXTSTELLIS and other key pipeline products pending at the FDA, accelerating the growth of the global contract service platform, continue to expand the portfolio of dermatology and women's health products through business development activities and R&D and maximise the SUBA-itraconazole franchise with TOLSURA.

Earnings changes

For H1 FY21, MYX reported revenue of \$208.8M and underlying EBITDA of \$39.9M. This is lower than market consensus of \$43.6m, as their results are COVID-19 impacted. Hence, we expect negative earnings revisions of 5% for FY21 and 10% for future periods.

Valuation

We are initiating on MYX with a price target of \$0.28 and a UNDERPERFORM recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)