

Next Science Ltd

A unique treatment combating resistant bacteria

Next Science Ltd (ASX:NXS) operates within the biomedical sector, commercialising and developing its XBIO Technology to eliminate and prevent bacterial infections. The company listed on the ASX in April 2019 at the time raising \$35m at \$1.00/share for a market capitalisation at listing of \$179.2m. Next Science has a suite of products designed to prevent surgical site infection, hospital-acquired infection, and eliminate biofilms and incumbent bacteria from prosthetic joint infections, chronic wounds and acne. These products come in different forms including a no-rinse, antimicrobial solution (XPERIENCE™), and antimicrobial wound gels (BLASTX and SURGX). In 2021, Next Science gained Pre-Market clearance on XPERIENCE™ in the US and Australia, and TGA clearance for BLASTX. Next Science owns 100% of its patent library which in total consists of 42 patents (January 2022). In February, the company announced a \$10m institutional placement at \$0.90/share and launched a \$5m Share Purchase Plan which is due to close on March 23. Proceeds from the raise will be used for working capital to invest in sales and marketing, invest in clinical studies to provide evidence of the efficacy of XPERIENCE™ and strengthen the balance sheet.

Business model

Next Science aims to expand its XBIO technology range of products for treatment of biofilm-based infections, which account for more than 80% of microbial infections. The company outsources product manufacturing under agreements with accredited third-party manufacturers. Revenues are generated through the offering of products to market via distribution partnerships with Zimmer Biomet and TELA Bio. These partners have exclusive rights to the white-labelled version of the products which they are distribute and market to health-care professionals. XPERIENCE is distributed directly by Next Science and through the white-label versions by Zimmer and TELA. Next Science's acne products are distributed through AST and tbh Skincare within Australia.

Record CY21 growth thanks to FDA approval

In CY2021 Next Science launched new products, was granted new approvals, and developed new distribution partnerships. As a result, the company generated FY21 revenues growth of 160% on prior year to deliver revenues of US\$8.95m. FY20 revenues (US\$3.4m) were impacted by COVID lockdowns which saw clinics close and elective surgeries postponed. Revenues growth is largely due to the successful launch of XPERIENCE, which is gaining traction in the US with 160 surgeons utilising the product across 93 hospitals by the end of CY2021. Gross profit for CY2021 was US\$6.9m, up from US\$2.9m in CY2020, but the gross profit margin was 78%, compared with 85% in CY2020 due to a change in revenue composition. The net loss for the year was US\$9.9m, an improvement on the US\$11.9m loss reported in CY2020.

Technology plays to its advantage

Next Science operates in a highly competitive market, however, is the only company with a technology that has no known bacteria resistance when treating biofilm. Competitors are those which operate within the drug manufacturing industry including companies producing antibiotic and antibacterial products. These include Nanosonics (ASX:NAN), which develops digital technology to fight against the spread of healthcare-associated infections; and Maynepharma (ASX:MYX), which competes with Next Science in treatment of antibiotics and acne medication and has a market cap of \$494.15m and a large established product range.

Historical earnings and ratios (In US\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.	NPAT rep.	EPS adj. (c)	EPS rep. (c)	EV/Revenue (x)^
12/18a	2.84	(13.44)	(13.75)	13.75	(7.70)	(7.70)	59.5
12/19a	4.06	(11.90)	(14.35)	(14.35)	(8.64)	(8.64)	41.6
12/20a	3.44	(11.60)	(11.91)	(11.91)	(6.36)	(6.36)	49.1
12/21a	8.95	(9.48)	(9.90)	(9.90)	(4.75)	(4.75)	18.9

Source: Company data; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items ^calculated from current enterprise value

Health Care Equipment & Services

11th March 2022

Share Details

ASX code	NXS
Share price	\$0.905
Market capitalisation	\$178.3M
Shares on issue	198.1M
Net cash at 31-Dec-2021	US\$7.4M
Free float	44.4%

Share Performance (12 months)



Upside Case

- Accelerated product adoption
- Successful launch in Australia and New Zealand
- European market entry post CE mark approval

Downside Case

- FDA does not approve new products
- Trials for products in development fail
- Partnerships fall through

Catalysts

- More evidence of XPERIENCE sales traction
- Commercialisation of BLASTX

Comparable Companies (Aust/NZ)

Nanosonics (ASX:NAN), IDT Australia Ltd (ASX:IDT), Maynepharma (ASX:MYX)

Board and Management

Prof. Mark Compton	Non-Executive Chair
Judith Mitchell	Managing Director
Bruce Hancox	Non-Executive Director
Dan Spira	Non-Executive Director
Aileen Stockburger	Non-Executive Director

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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