

Microba Life Sciences Limited

More than a gut feeling

Microba Life Sciences Limited (ASX:MAP) is a precision microbiome company looking to build a global position in the testing of gut microbiome and subsequent development of therapeutics to address chronic diseases. MAP listed on the ASX in April 2022, raising \$30m at \$0.45/share to fund the working capital requirements of building out a global partnership base, drug discovery using proprietary data and development of its platform technology. There is growing evidence and acknowledgement the gut and the millions of microbes that inhabit the lower digestive tract play a vital role in health and disease, and MAP is aiming to be a key player in addressing this potential missing link. The business model begins with offering testing via a partnership base across Australia and New Zealand (Metagenics and Midnight Health), the US (Genova), Europe (Synlab) and the Middle East (G42). MAP earns a SaaS-style fee on such tests but more importantly, if patients opt in, can store and use the resulting data to aid in the discovery of therapeutic leads for chronic disease. Via a proprietary data-driven platform MAP is able to isolate bacteria and perform pre-clinical studies to assess viability based on efficacy and safety profiles. Inflammatory Bowel Disease (IBD) is the first and lead indication (MAP315) and is expected to proceed to Phase I trial in FY23 following the completion of cGMP manufacturing. Other areas of interest are cancer immunotherapy, where leads are progressing to animal studies, and autoimmune diseases, where a programme with Ginkgo Bioworks is under way with strains undergoing screening and characterisation through the Ginkgo platform.

Business model

The MAP business model begins with establishing partnerships with large-scale distribution leaders globally for accelerated product launch and market penetration. The group currently has distribution partnerships in Australia, New Zealand, US, Europe and the Middle East. The resulting test data is then stored in a proprietary databank to aid in the discovery of therapeutic leads by applying the company's proprietary data-driven platform to isolate potential bacteria that may be modified to treat a range of chronic health conditions. Such indications could be taken to the clinic by MAP alone or in partnership with other pharmaceutical players once pre-clinical studies have been performed.

Inflammatory Bowel Disease (IBD) the current lead candidate

IBD (MAP315), or specifically Ulcerative Colitis (UC), has been chosen as the first indication in a market estimated to be worth US\$7.5b. Current treatments including anti-inflammatory and immunomodulatory medication dampen the disease and control symptoms, but with significant side effects. MAP315 looks to address a gap in existing care by stimulating epithelial and mucosal healing. cGMP manufacturing has been initiated and a Contract Research Organisation (CRO) appointed, with a Phase I trial scheduled for FY23.

Peers are a mix of diagnostic and pre-clinical/phase I drugs

The testing side of MAP's operations are essentially a diagnostic, achieving gross margins of ~50% in-line with the likes of blood-based rapid testing player Atomo Diagnostics (ASX:AT1) and 'Green Whistle' producer Medical Developments (ASX:MVP). The drug development programme and related platform remains pre-clinical, with Phase I trials expected to commence in FY23. Listed peers at a similar stage of development with 'novel' drugs (but typically different indications) include cell therapy player Chimeric (ASX:CHM), Exopharm (ASX:EX1) and Nyrada (ASX:NYR).

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	Gross profit	GP%	EBIT	EPS (c)	R&D	Cash at bank
06/21a	3.7	2.0	55	(7.5)	n.m.	2.1	13.0
06/22a	4.7	2.4	50	(11.5)	n.m.	5.4	30.6

Source: Company data; *EBIT, NPAT and EPS adjusted for one-time, non-cash items

Pharmaceuticals, Biotechnology and Life Sciences

9th September 2022

Share Details

ASX code	MAP
Share price (8-Sept)	\$0.235
Market capitalisation	\$64.5M
Shares on issue	274.4M
Net cash at 30-Jun-2022	\$30.2M
Free float	~56.5%

Share Performance (since listing)



Upside Case

- New distribution partnerships for testing
- Phase I trial approval for MAP315
- Positive pre-clinical data for new indications

Downside Case

- Phase I trial delays
- Limited safety and efficacy results for new indications
- Costs of advancing programmes post Phase I

Catalysts

- Approval for Phase I in IBD
- Promising pre-clinical data in other indications

Comparable Companies (Aust/NZ)

Atomos Diagnostics (ASX:AT1), Chimeric Therapeutics (ASX:CHM)

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Luke Reid	CEO
James Heath	CFO
Ian Frazer	Ind. Non-Exec. Director
Richard Bund	Non-Exec. Director
Caroline Popper	Ind. Non-Exec. Director
Hyungtae Kim	Non-Exec. Director
Jacqueline Fernley	Ind. Non-Exec. Director

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FINANCIAL SERVICES GUIDE

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AFSL 456663

Effective Date: 6th May 2021

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- our services
- how we transact with you
- how we are paid, and
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