

Member FINRA/SIPC

Toll-Free: 561-391-5555 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

Anavex Life Sciences Corp. (NASDAQ/AVXL)

April 5, 2021

BUY: DSMB - Alzheimer's Study Should Continue: No Change

Jason Kolbert

Healthcare Research

jkolbert@dawsonjames.com

Anavex announced that the Independent Data Safety Monitoring Board (DSMB) for the company's Phase 2b/3 Alzheimer's disease study of ANAVEX2-73 has completed its recent pre-planned review of the preliminary Phase 2B/3 study data and recommended no change.

Investment Highlights

Phase 2b/3 Trial: The study in (n=450) patients with Alzheimer's disease is currently over 92% enrolled and includes prespecified SIGMAR1 gene expression as endpoints using ADAS-Cog (cognition) and ADCS-ADL (activities of daily living and function) as primary endpoints.

A New Approach to CNS Disease. The development of Alzheimer's has been linked to different mechanisms that may trigger negative cascades. Research advances are emerging around what happens when cells undergo stress. Why do some survive and others degenerate? One answer may relate to individual cell survival mechanisms, which in part may be related to the role of the Sigma-1 Receptor, which is activated (an agonist) by ANAVEX2-73. It is believed that Sigma 1 can help to protect a cell from the accumulation of misfolded proteins, acting to chaperone them out of the cell. As a result, cell metabolism (oxidative stress and mitochondrial dysfunction) is kept in balance. The implications here could have an impact across a wide range of neurodegenerative diseases from Alzheimer's to Parkinson's and niche orphan diseases such as Rett's syndrome, which may represent a "fast path" to establish proof of concept around the Sigma 1 agonism.

2021 is a Year of Events.

- Rett's Syndrome (RTT): Top-line data is expected from the "AVATAR" trial. The study may be considered to be pivotal (Phase 2/3) in adult RTT clinical trial – expected 1H-2021.
- Top-line data Phase 1 ANAVEX3-71 clinical trial – expected 1H 2021.
- Top-line data EXCELLENCE: Potentially pivotal Phase 2/3 pediatric RTT clinical trial – expected 2H 2021.
- Top-line data ANAVEX2-73-AD-004: Potentially pivotal Phase 2b/3 A.D. clinical trial – expected 1H 2022.
- Initiation of ANAVEX2-73 imaging-focused Parkinson's disease clinical trial – expected 2021.
- Initiation of potentially pivotal Phase 2/3 Fragile X clinical trial – expected 2021.
- Initiation of potentially pivotal Phase 2/3 clinical trial for the treatment of a new, rare disease indication – expected 2021.

Valuation. Our valuation is based on our therapeutic models and associated assumptions projected to 2030. Our model assumes multiple financial raises, and as such, our share count is based on a projected, fully diluted out-year basis. Given the early nature of the company and its dependence on clinical trial outcomes in the CNS space, we apply a lower range of probability of success (20-30%) in our models. On top of this, we also add a 30% risk rate in our free cash flow to the Firm (FCFF), our discounted EPS (dEPS), and sum-of-the-parts (SOP) models. We equal weight and average these metrics and then round to the nearest whole number to derive our price target.

Current Price	\$15.38		
Price Target	\$19.00		
Estimates	F2019A	F2020E	F2021E
Expenses (\$000s)*	\$ 31,287	\$ 31,090	\$ 38,244
1Q March	\$ 7,474	\$ 7,701	\$ 9,396
2Q June	\$ 8,140	\$ 7,774	\$ 9,576
3Q September	\$ 7,821	\$ 8,107	\$ 9,616
4Q December	\$ 7,852	\$ 7,508	\$ 9,656
	F2019A	F2020E	F2021E
EPS (diluted)*	\$ (0.65)	\$ (0.45)	\$ (0.40)
1Q March	\$ (0.16)	\$ (0.12)	\$ (0.12)
2Q June	\$ (0.17)	\$ (0.12)	\$ (0.09)
3Q September	\$ (0.16)	\$ (0.11)	\$ (0.09)
4Q December	\$ (0.16)	\$ (0.10)	\$ (0.09)
EBITDA/Share			
EV/EBITDA (x)			
Stock Data			
52-Week Range	\$2.20	-	\$28.70
Shares Outstanding (mil.)	69.5		
Market Capitalization (mil.)	\$1,069		
Enterprise Value (mil.)	\$1,049		
Debt to Capital	0%		
Book Value/Share	\$0.56		
Price/Book	10.4		
Average Three Months Trading Volume (K)	563		
Insider Ownership	3.8%		
Institutional Ownership	20.9%		
Short interest (mil.)	7.6%		
Dividend / Yield	\$0.00/0.0%		

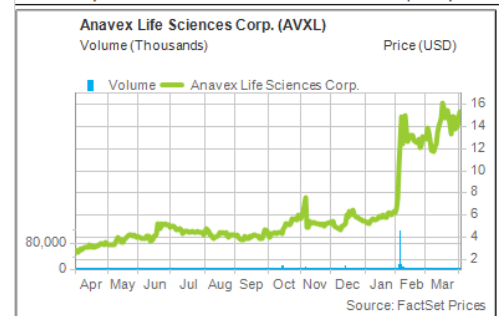


Exhibit 1. Income Statement

Anavex Life Sciences Corp	2019A	2020A	1Q21A	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue																
Anavex2-73 AD U.S.		-	-	-	-	-	-	-	-	191,826	338,892	498,171	666,126	533,641	622,073	674,171
Anavex2-73 AD ROW			-	-	-	-	-	-	-	555,169	735,599	617,903	642,619	551,582	675,136	803,412
Anavex2-73 Rett's Syndrome			-	-	-	-	-	67,744	207,296	317,162	395,395	439,967	448,767	457,742	466,897	476,235
Anavex2-73 Parkinson's Dementia PDD			-	-	-	-	-	-	-	14,229	58,055	88,824	120,801	184,826	219,943	240,366
Total Product Revenues								67,744	207,296	1,078,386	1,527,942	1,644,866	1,878,313	1,727,790	1,984,048	2,194,184
% Chg																
% Sequential Growth																
Milestones																
% Sequential Growth																
Total Revenues (\$000)								67,744	207,296	1,078,386	1,527,942	1,644,866	1,878,313	1,727,790	1,984,048	2,194,184
Expenses																
Cost of Goods Sold (10%)		-	-	-	-	-	-	-	-	74,699	107,449	111,607	130,875	108,522	129,721	147,758
Research and Development	22,260	25,232	7,926	7,965	8,005	8,045	31,941	25,938	21,063	17,104	13,890	11,279	9,160	7,438	6,040	4,905
General and Administrative	6,847	5,857	1,471	1,611	1,611	1,611	6,442	80,000	100,000	75,000	65,000	65,650	66,307	66,970	67,639	68,316
Operating expenses	31,287	31,090	9,396	9,576	9,616	9,656	38,244	105,939	121,064	166,805	186,340	188,538	206,342	182,931	203,402	220,900
Oper. Inc. (Loss)	(31,287)	(31,090)	(9,396)	(9,576)	(9,616)	(9,656)	(38,244)	(38,196)	86,231	911,581	1,341,601	1,456,328	1,671,971	1,544,859	1,780,646	1,973,203
Oper Margin	NM	NM	NM	NM	NM	NM	NM	NM	0	1	1	1	1	1	1	1
Other income (expense)	2,466	150														
Research and Development incentive	299	4,375	1,269													
Interest and financing fees	207	180	(2)	(8)	(8)	(8)	(30)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)
Accretion of debt discount	116															
Change in fair value of derivative liability	(151)															
Debt conversion expense	(42)															
Loss on settlement of accounts payable																
Loss on extinguishment of debt																
Foreign exchange gain (loss)																
Financing related charges and adjustments																
Other non-operating income		126														
Non-operating Income (expense)	2,894	4,830	333	(8)	(8)	(8)	(30)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)
Financial Income, Net																
Financial Expenses, Net																
Pretax Income	(28,393)	(26,280)	(7,796)	(9,584)	(9,623)	(9,663)	(38,274)	(38,221)	86,206	911,556	1,341,576	1,456,303	1,671,946	1,544,834	1,780,621	1,973,178
Pretax Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Income Tax Benefit (Provision)	(82)		(59)	(3,546)	(3,561)	(3,575)	(10,741)	(1,911)	8,621	164,080	389,057	480,580	601,901	602,485	694,442	769,540
Tax Rate	0	-	37%	37%	37%	37%	5%	10%	18%	29%	30%	31%	31%	31%	31%	31%
GAAP Net Income (loss)	(28,475)	(26,280)	(7,855)	(6,038)	(6,063)	(6,088)	(26,044)	(36,310)	77,585	747,476	952,519	975,723	1,070,046	942,349	1,086,179	1,203,639
Net Margin	NM	NM	NM	NM	NM	NM	NM	NM	0.37	0.69	0.62	0.59	0.57	0.55	0.55	0.55
GAAP-EPS	(0.65)	(0.45)	(0.12)	(0.09)	(0.09)	(0.09)	(0.40)	(0.54)	1.10	10.16	12.45	12.25	12.91	10.92	12.10	12.89
Non GAAP EPS (dil)	(0.65)	(0.45)	(0.12)	(0.09)	(0.09)	(0.09)	(0.40)	(0.54)	1.10	10.16	12.45	12.25	12.91	10.92	12.10	12.89
Wgtd Avg Shrs (Bas)	48,906	58,195	64,295	64,359	64,424	64,488	64,392	64,650	64,909	65,169	65,430	65,692	65,955	66,219	66,484	66,751
Wgtd Avg Shrs (Dil)	48,906	58,195	64,295	64,938	65,587	66,243	65,266	67,916	70,674	73,543	76,530	79,637	82,871	86,235	89,737	93,381

Source: Dawson James estimates, company reports

Risk Analysis

Clinical Trial Risk. Anavex is dependent on the outcome of multiple clinical trials. The failure rates associated with disease conditions such as Alzheimer's are historically very high.

Commercial Risk. Anavex hopes to compete in the CNS markets, which have traditionally been dominated by large pharma and biotechnology companies with deep pockets (funding and resources), which may make it difficult for Anavex to compete unless the molecule is deemed to be truly differentiated.

Financial Risk. Anavex is likely to require additional capital raises before the company can be self-sustaining. There can be no guarantees that the company will be able to raise the needed capital.

Investment Risk. Anavex is a small capital company, which can translate into high volatility and risk for investors. The company has no revenues and is dependent on the clinical progress of its therapeutics.

Intellectual Property. Anavex may face I.P. challenges, forcing the company to defend its patents or itself against claims that the company is infringing on other patents. We do know that the lead product is protected by a composition of matter patent to 2033.

Market Share Risk. The central nervous system (CNS) market is competitive and tends to be dominated by large pharma and large well established biotechnology companies.

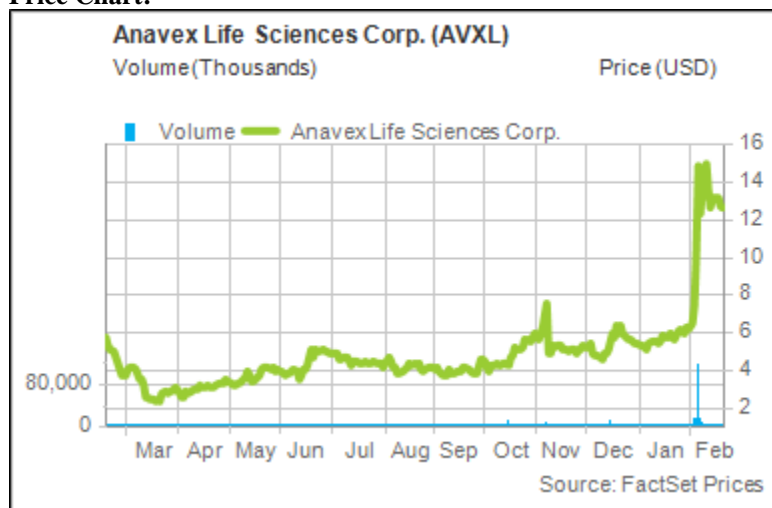
Regulatory Risk. Anavex, even with good clinical data, could face extensive delays and other regulatory setbacks.

Companies mentioned in this report:

Cassava Science (SAVA Not Rated)

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:

- Initiated – Buy – July 24, 2019 – Price Target \$16.00
- Update – Buy – July 31, 2019 – Price Target \$16.00
- Update – Buy – August 7, 2019 – Price Target \$16.00
- Update – Buy – September 5, 2019 – Price Target \$16.00
- Update – Buy – September 17, 2019 – Price Target \$16.00
- Update – Buy – October 24, 2019 – Price Target \$16.00
- Update – Buy – December 2, 2019 – Price Target \$16.00
- Update – Buy – December 4, 2019 – Price Target \$16.00
- Update – Buy – February 4, 2020 – Price Target \$16.00
- Update – Buy – February 7, 2020 – Price Target \$16.00
- Update – Buy – May 8, 2020 – Price Target \$16.00
- Update – Buy – May 22, 2020 – Price Target \$16.00
- Update – Buy – June 16, 2020 – Price Target \$16.00
- Update – Buy – July 1, 2020 – Price Target \$16.00
- Update – Buy – October 15, 2020 – Price Target \$16.00
- Update – Buy – November 6, 2020 – Price Target \$16.00
- Update – Buy – December 15, 2020 – Price Target \$16.00
- Price Target Change – February 19, 2021 – Price Target \$16.0 to \$19.0
- Update – April 5, 2021 – Price Target \$19.0

Dawson James Securities, Inc. (the "Firm") is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Firm does not make a market in the securities of the subject company(s). The Firm has NOT engaged in investment banking relationships with AVXL in the prior twelve months, as a manager or co-manager of a public offering and has NOT received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has NOT received any other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future. As of March 31, 2021, the Firm as a whole did not beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts or

employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the company(s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of the Firm and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Information about valuation methods and risks can be found in the "VALUATION" and "RISK ANALYSIS" sections of this report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

Rating Definitions:

- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	20	69%	6	30%
Market Perform (Neutral)	9	31%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	29	100%	6	21%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.