

Member FINRA/SIPC

Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

## Anavex Life Sciences Corp. (NASDAQ/AVXL)

### BUY Rated: Fiscal 1Q Results: \$155M in Cash

*Anavex expects top-line results from the EXCELLENCE study in Rett Syndrome in the 2H-23, Alzheimer's Disease – data in 2H23 too. See excerpts from the company's press release for full details.*

### Investment Highlights:

#### Press Release (adapted): Key Near-Term Pipeline Updates:

- Rett syndrome: Top-line data of potentially pivotal ANAVEX2-73-RS-003 Phase 2/3 EXCELLENCE pediatric clinical trial. Company expects to **announce topline results from this study in the second half of 2023.**
- Alzheimer's disease: Full data ANAVEX2-73-AD-004, including newly available preliminary results of surrogate biomarkers of pivotal Phase 2b/3 clinical trial. The Company intends to discuss these findings with regulatory authorities in the context of the ongoing clinical development of 2-73 in this indication, with the goal of providing a much-needed treatment to the millions of patients living with Alzheimer's disease with a convenient once-daily oral treatment. **Company expects to announce data in the second half of 2023.**
- Parkinson's disease: Initiation of ANAVEX2-73 pivotal clinical trial and the start of an imaging-focused clinical trial.
- Fragile X: Initiation of potentially pivotal ANAVEX2-73 Phase 2/3 clinical trial.
- Schizophrenia: Initiation of ANAVEX3-71 Phase 2 clinical trial.
- New Rare disease: Initiation of potentially pivotal ANAVEX2-73 Phase 2/3 clinical trial.
- Publications: Several clinical publications involving ANAVEX2-73, ANAVEX3-71 and Rett syndrome Burden of Illness study.

**Valuation.** Our valuation is based on our therapeutic models and associated assumptions projected to 2030. Our model assumes multiple financial raises, so 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 probability of success (50%) 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.

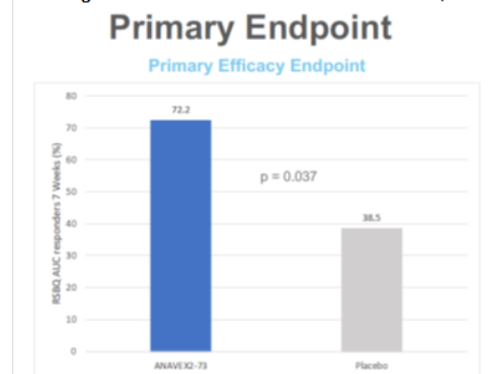
**Risks to our thesis include:** (1) commercial; (2) regulatory; (3) clinical; (4) market share; (5) financial; (6) investment; and (7) intellectual property.

August 8, 2023

Jason Kolbert

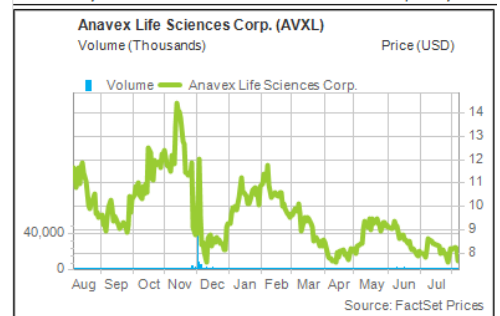
Managing Director & Senior Analyst  
jkolbert@dawsonjames.com

Current Price \$7.68  
Price Target \$39.00



Source: Anavex

Stock Data		
52-Week Range	\$7.44	\$15.24
Shares Outstanding (mil.)	80.8	
Market Capitalization (mil.)	\$621	
Enterprise Value (mil.)	\$467	
Debt to Capital	0%	
Book Value/Share	\$0.56	
Price/Book	5.6	
Average Three Months Trading Volume (K)	796	
Insider Ownership	3.5%	
Institutional Ownership	35.9%	
Short interest (mil.)	20.7%	
Dividend / Yield	\$0.00/0.0%	



**Exhibit 1. Income Statement (\$ in thousands)**

Anavex Life Sciences Corp																
Anavex: YE Sept 30	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue</b>																
Anavex2-73 AD U.S.		-	-	-	-	-	-	-	-	-	-	996,342	1,332,252	1,067,282	1,244,145	1,348,343
Anavex2-73 AD ROW												1,235,807	1,285,239	1,103,163	1,350,272	1,606,824
Anavex2-73 Rett's Syndrome										28,192	71,890	586,623	747,945	915,484	933,794	952,470
Anavex2-73 Parkinson's Dementia PDD												177,649	241,602	369,651	439,885	480,732
<b>Total Product Revenues</b>										<b>28,192</b>	<b>71,890</b>	<b>2,996,421</b>	<b>3,607,037</b>	<b>3,455,581</b>	<b>3,968,096</b>	<b>4,388,368</b>
<b>% Chg</b>																
<b>% Sequential Growth</b>																
<b>Milestones</b>																
<b>% Sequential Growth</b>																
<b>Total Revenues (\$000)</b>										<b>28,192</b>	<b>71,890</b>	<b>2,996,421</b>	<b>3,607,037</b>	<b>3,455,581</b>	<b>3,968,096</b>	<b>4,388,368</b>
<b>Expenses</b>																
Cost of Goods Sold (10%)												223,215	261,749	217,045	259,442	295,517
Accounting and Audit Fees																
Amortization and depreciation	2	2	2	2	0	0	0	0	2	2	2	2	2	2	2	2
Bank charges and interest																
Consulting Fees																
Insurance																
Investor relations																
Legal fees																
Management fees																
Office and miscellaneous expense																
Registration and filing fees																
Rent and administration																
Research and Development	22,260	25,232	32,267	41,326	11,307	11,307	11,363	11,420	45,396	36,819	29,899	24,280	19,717	16,011	13,002	10,558
Salaries and wages																
Travel																
Website design and maintenance																
General and Administrative	6,847	5,857	9,205	13,320	2,883	2,883	3,000	3,000	11,765	27,500	45,000	45,450	45,905	46,364	46,827	47,295
<b>Operating expenses</b>	<b>31,287</b>	<b>31,088</b>	<b>41,474</b>	<b>54,647</b>	<b>14,189</b>	<b>14,190</b>	<b>14,364</b>	<b>14,420</b>	<b>57,163</b>	<b>64,320</b>	<b>74,901</b>	<b>292,946</b>	<b>327,372</b>	<b>279,421</b>	<b>319,272</b>	<b>353,372</b>
Oper. Inc. (Loss)	(31,287)	(31,088)	(41,474)	(54,647)	(14,189)	(14,190)	(14,364)	(14,420)	(57,163)	(36,128)	(3,010)	2,703,474	3,279,666	3,176,160	3,648,824	4,034,996
Oper Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	1	1	1	1	1
Other income (expense)	2,466															
Research and Development incentive	299			682												
Interest and financing fees	207			(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)				(733)												
Financing related charges and adjustments																
Other non-operating income																
Non-operating Income (expense)	2,894	-	2,129	(75)						(25)	(25)	(25)	(25)	(25)	(25)	(25)
Financial Income, Net																
<b>Financial Expenses, Net</b>		<b>4,830</b>	<b>4,555</b>		<b>(1,132)</b>	<b>(1,132)</b>			<b>(1,132)</b>							
<b>Pretax Income</b>	<b>(28,393)</b>	<b>(26,258)</b>	<b>(36,918)</b>	<b>(54,722)</b>	<b>(13,057)</b>	<b>(13,057)</b>	<b>(14,364)</b>	<b>(14,420)</b>	<b>(57,163)</b>	<b>(36,153)</b>	<b>(3,035)</b>	<b>2,703,449</b>	<b>3,279,641</b>	<b>3,176,135</b>	<b>3,648,799</b>	<b>4,034,971</b>
Pretax Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Income Tax Benefit (Provision)	(82)	(23)	(155)	(319)	(50)	(50)	(1,436)	(1,442)	(2,978)	(6,508)	(880)	892,138	1,180,671	1,238,693	1,423,032	1,573,639
Tax Rate	0	0	1%	10%	10%	10%	10%	10%	5%	18%	29%	30%	31%	31%	31%	31%
<b>GAAP Net Income (loss)</b>	<b>(28,475)</b>	<b>(26,280)</b>	<b>(37,074)</b>	<b>(50,068)</b>	<b>(13,107)</b>	<b>(13,107)</b>	<b>(12,927)</b>	<b>(12,978)</b>	<b>(52,120)</b>	<b>(29,646)</b>	<b>(2,155)</b>	<b>1,811,311</b>	<b>2,098,970</b>	<b>1,937,442</b>	<b>2,225,767</b>	<b>2,461,332</b>
Net Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.60	0.58	0.56	0.56	0.56
<b>GAAP-EPS</b>	<b>(0.65)</b>	<b>(0.45)</b>	<b>(0.53)</b>	<b>(0.65)</b>	<b>(0.17)</b>	<b>(0.17)</b>	<b>(0.16)</b>	<b>(0.16)</b>	<b>(0.66)</b>	<b>(0.36)</b>	<b>(0.03)</b>	<b>20.43</b>	<b>22.74</b>	<b>20.17</b>	<b>22.27</b>	<b>23.66</b>
Non GAAP EPS (dil)	(0.65)	(0.45)	(0.53)	(0.65)	(0.17)	(0.17)	(0.16)	(0.16)	(0.66)	(0.36)	(0.03)	20.43	22.74	20.17	22.27	23.66
Wgtd Avg Shrs (Bas)	48,906	58,195	69,869	77,278	78,304	78,304	78,382	78,461	78,363	78,657	78,972	79,288	79,606	79,925	80,245	80,567
Wgtd Avg Shrs (Dil)	48,906	58,195	69,869	77,278	78,304	78,304	79,087	79,878	78,893	81,895	85,220	88,680	92,281	96,028	99,927	103,985

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.

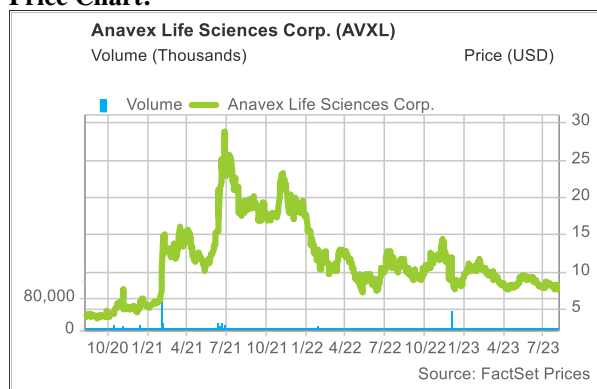
**Market Share Risk.** The central nervous system (CNS) market is competitive and tends to be dominated by large pharma and large well-established biotechnology companies.

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

Companies mentioned in this report:

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 – Buy – February 19, 2021 – Price Target \$16.0 to \$19.00  
Update – Buy – April 5, 2021 – Price Target \$19.00  
Update – Buy – April 12, 2021 – Price Target \$19.00  
Update – Buy – May 19, 2021 – Price Target \$19.00  
Update – Buy – June 8, 2021 – Price Target \$19.00  
Price Target Change – Buy – June 21, 2021 – Price Target \$35.00  
Update – Buy – June 28, 2021 – Price Target \$35.00  
Update – Buy – October 27, 2021 – Price Target \$35.00  
Update – Buy – November 24, 2021 – Price Target \$35.00  
Update – Buy – January 11, 2022 – Price Target \$35.00  
Update – Buy – February 1, 2022 – Price Target \$35.00  
Update – Buy – February 4, 2022 – Price Target \$35.00  
Update – Buy – February 10, 2022 – Price Target \$39.00  
Update – Buy – June 15, 2022 – Price Target \$39.00  
Update – Buy – August 2, 2022 – Price Target \$39.00  
Update – Buy – August 9, 2022 – Price Target \$39.00  
Update – Buy – October 18, 2022 – Price Target \$39.00  
Update – Buy – November 8, 2022 – Price Target \$39.00  
Update – Buy – November 28, 2022 – Price Target \$39.00  
Update – Buy – November 30, 2022 – Price Target \$39.00  
Update – Buy – December 5, 2022 – Price Target \$39.00  
Update – Buy – February 2, 2023 – Price Target \$39.00  
Update – Buy – February 7, 2023 – Price Target \$39.00  
Update – Buy – March 9, 2023 – Price Target \$39.00  
Update – Buy – March 30, 2023 – Price Target \$39.00  
Update – Buy – May 9, 2023 – Price Target \$39.00  
Update – Buy – June 6, 2023 – Price Target \$39.00  
Update – Buy – June 13, 2023 – Price Target \$39.00  
Update – Buy – June 28, 2023 – Price Target \$39.00  
Update – Buy – August 8, 2023 – Price Target \$39.00

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 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 August 3, 2023, 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 risks can be found in the "RISK ANALYSIS" section 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.

Current as of 3-Aug-23

	Company Coverage		Investment Banking	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	24	69%	3	8.60%
Market Perform (Neutral)	11	31%	3	8.60%
Market Underperform (Sell)	0	0%	0	0.00%
Total	35	100%	6	17.20%

**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.