3 September 2024

Orthocell Limited (OCC) BUY Share Price: A$0.38

Expanding global footprint is underappreciated Target Price: A$1.28

FY24 saw OCC's Remplir and Striate products continue to gain traction after ~18 months on market. OCC is now focused on expanding the global footprint of both products. It is targeting 7 new markets, while continuing to execute on growing revenues from existing markets and progressing partnering process for Remplir and non-core tendon cell therapy (with the appointment of US advisors). A renewed Board and strong cash position are supporting this effort. We re-iterate BUY, with our $1.28/sh TP offering >3x upside.

Strong growth in revenues, opex drives NPAT beat

- FY24 product sales of $5.3m grew ~25% over pcp and was in line with PCe, driven by product sales (up 55%), excl. $2.3m amortised BioHorizon license fee. Remplir sales were >2x over pcp at $1.04m, with 130+ surgeons on board. Striate (excl. license fee) grew 61% over pcp.
- Net loss of $7.2m (up 15% YoY), was better than PCe net loss of $8.2m, driven primarily by 3% lower opex, lower D&A and higher other income.
- Cash of $20.6m (ahead of PCe $18.3m) funds it through to key inflexion point of US approval of Remplir in 1QCY25 and its subsequent FY25 launch.

Strong outlook with expanding geographic footprint

- Revenue growth in existing markets will continue. OCC flagged that 1QCY25 revenue is already ahead of its expectations and displaying strong growth.
- Striate will be launched in Canada shortly. Seven regulatory applications are either in progress or planned for both the products over next 6-12 months (5 for Remplir including US and 2 for Striate).
- A third Celgro revenue stream in CY25 could augment growth with AU launch of the SmrtGraft tendon product.
- Remplir and OrthoATI deals could boost cash reserves and its MDSAP certified AU based manufacturing should add to partnering appeal.

Retain BUY and $1.28/sh TP

- Our FY26 NPAT forecast reduces by 5%, driven primarily by lowering our interest income forecasts and a modest (~2%) increase in our opex forecast. Changes to our FY25 NPAT forecast was immaterial (~2%). Earning changes were offset by rolling forward our DCF, leaving our TP unchanged at $1.28/sh.

Key Dates Ahead

- 4QCY24 –Remplir US registrational study results, US regulatory filing, Singapore approval & 1Q update.
- 1QCY25- Remplir US approval and launch in 1HCY25.
- 2QCY25- SmrtGraft AU & Striate Brazil approvals.

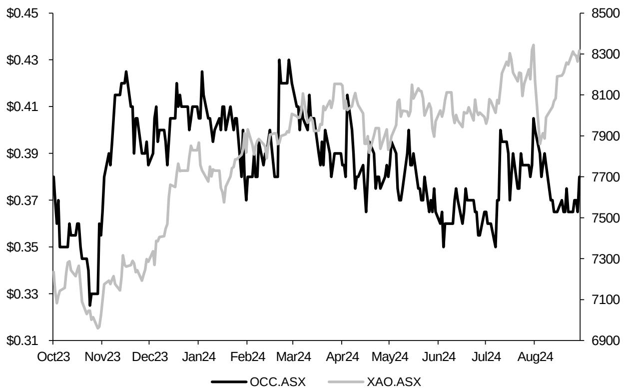
Company Data

Shares – ordinary (M)	209.6
Dilution (M)	42.5
Total (fully diluted) (M)	252.1
Market capitalisation ($M)	79.6
12 month low/high ($)	0.32/ 0.46
Average monthly turnover ($M)	1.5
GICS Industry	Health Care Supplies

Financial Summary (fully diluted/normalised)

Year End June	2023A	2024A	2025F	2026F	2027F
Revenue (A$m)	7.4	8.4	10.4	34.2	25.6
Costs (A$m)	14.0	16.5	17.0	18.7	19.4
EBITDA (A$m)	-6.6	-8.1	-6.6	15.5	6.3
NPAT (A$m)	-6.2	-7.2	-6.4	16.3	7.9
EPS (¢)	-3.2	-3.6	-3.0	7.1	3.2
EPS Growth (%)	32%	-12%	15%	334%	-55%
PER (x)	N/A	N/A	N/A	5.4	12.0
FCF (A$m)	14.0	-7.4	-7.7	14.6	5.9
FCF per share (cps)	7.1	-3.6	-3.7	5.8	2.4
Price to FCF (x)	5.4	-10.7	-10.3	6.5	16.0
EV (A$m)	54.8	59.0	66.9	33.5	27.8
EV/EBITDA	-8.3	-7.3	-10.2	2.2	4.4
Payout ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend (¢)	0.0	0.0	0.0	0.0	0.0
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	N/A	N/A	N/A	N/A	N/A

OCC – performance over one year



Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document.

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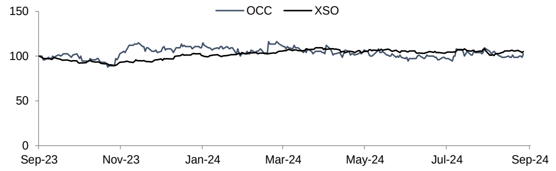
Analysis

Orthocell Limited

Year End June

MARKET DATA		
Recommendation		**Buy**
Price	**$**	**0.38**
Price target (12-month)	**$**	**1.28**
52 week high/low	$	0.32 - 0.46
Market capitalisation	**$m**	**79.6**
Shares on issue (basic)	m	209.6
Performance rights (0.75m expiring between Jan'26-May'27) /options (41.8m with exercise price ranging from $0.36-$0.80 & expiring between Sep'24-Nov'29)	m	42.5
Shares on issue (diluted)	m	252.1

12-MONTH SHARE PRICE PERFORMANCE



INVESTMENT FUNDAMENTALS		2023A	2024A	2025F	2026F	2027F
Underlying net profit	$m	(6.2)	(7.2)	(6.4)	16.3	7.9
Reported net profit	$m	(6.2)	(7.2)	(6.4)	16.3	7.9
Underlying NPATA	$m	**(6.4)**	**(7.3)**	**(6.5)**	**16.2**	**7.8**
Reported EPS (diluted)	¢	(3.2)	(3.6)	(3.0)	7.1	3.2
Underlying EPS (diluted)	**¢**	**(3.2)**	**(3.6)**	**(3.0)**	**7.1**	**3.2**
....Growth	%	32%	-12%	15%	334%	-55%
Underlying diluted PER	**x**	**N/A**	**N/A**	**N/A**	**5.4**	**12.0**
Operating cash flow per share	¢	7.4	(3.1)	(3.2)	6.2	2.6
Free cash flow per share	¢	7.1	(3.6)	(3.7)	5.8	2.4
Price to free cash flow per share	**x**	**5.4**	**(10.7)**	**(10.3)**	**6.5**	**16.0**
Free cash flow yield	%	18.6%	-9.3%	-9.7%	15.4%	6.2%
Dividend per share	**¢**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Payout ratio	%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield	**%**	0.0%	0.0%	0.0%	0.0%	0.0%
Franking	%	N/A	N/A	N/A	N/A	N/A
Enterprise value	**$m**	**54.8**	**59.0**	**66.9**	**33.5**	**27.8**
EV/EBITDA	x	(8.3)	(7.3)	(10.2)	2.2	4.4
EV/EBIT	x	(7.6)	(6.8)	(9.3)	2.3	5.0
Price to book (NAV)	x	12.2	17.5	(250.2)	2.6	2.1
Price to NTA	x	14.9	22.8	(62.4)	2.7	2.1

KEY RATIOS		2023A	2024A	2025F	2026F	2027F
Gross profit margin	%	47%	46%	59%	70%	81%
EBITDA margin	%	N/A	N/A	N/A	50%	24%
EBIT margin	%	N/A	N/A	N/A	48%	22%
Underlying net profit margin	%	N/A	N/A	N/A	52%	31%
Return on average equity	%	-78%	-134%	-301%	90%	19%
Return on average assets	%	-19%	-26%	-28%	45%	14%
Net tangible assets per share	¢	2.5	1.7	(0.6)	14.3	18.1
Net debt/(cash)	$m	(24.8)	(20.6)	(12.7)	(46.1)	(51.8)
Interest cover (EBIT/net interest)	x	net cash	net cash	net cash	net cash	net cash
Leverage (net debt/EBITDA)	x	N/A	N/A	N/A	N/A	N/A
Gearing (net debt/net debt plus equity)	%	N/A	N/A	N/A	N/A	N/A

INTERIMS		2H23A	1H24A	2H24A	1H25F	2H25F
Total Revenue	$m	2.2	2.6	2.8	3.2	4.2
Gross Profit	**$m**	1.7	1.8	1.9	2.2	3.1
Other Revenue	$m	3.2	0.0	3.1	0.0	3.0
EBITDA	**$m**	**(2.7)**	**(5.7)**	**(2.4)**	**(4.8)**	**(1.8)**
Depreciation & Amortisation	$m	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)
EBIT	**$m**	**(3.0)**	**(6.0)**	**(2.7)**	**(5.1)**	**(2.1)**
Net interest & Non-operating income/expense	$m	0.8	0.7	0.7	0.5	0.3
Pretax profit	$m	(2.2)	(5.2)	(2.0)	(4.6)	(1.7)
Tax expense	$m	0.0	0.0	0.0	0.0	0.0
Underlying NPAT	**$m**	**(2.2)**	**(5.2)**	**(2.0)**	**(4.6)**	**(1.7)**
Significant items	$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	$m	(2.2)	(5.2)	(2.0)	(4.6)	(1.7)

REVENUE SUMMARY		2023A	2024A	2025F	2026F	2027F
Striate						
Contract revenue (license fee)	$m	2.3	2.3	2.3	2.3	2.3
Consumable revenue (sale of goods to BioHorizon)	$m	0.7	1.1	1.9	3.5	5.3
Total Striate Revenues	**$m**	**3.0**	**3.4**	**4.2**	**5.8**	**7.6**
Remplir						
Ex-AU/NZ deal - Contract revenue (risk adj. fee)	$m	0.0	0.0	0.0	18.5	0.0
Consumable revenue (sale of goods)	$m	0.5	1.0	2.3	6.1	17.1
Total Remplir Revenues	**$m**	**0.5**	**1.0**	**2.3**	**24.6**	**17.1**
Cell therapy consumable revenue (ATI/ACI)	$m	0.8	0.9	0.9	0.9	0.9
Revenues	$m	**4.2**	**5.3**	**7.4**	**31.2**	**25.6**
Other revenue (R&D tax rebate)	$m	3.2	3.1	3.0	3.0	0.0
Total Revenues	**$m**	**7.4**	**8.4**	**10.4**	**34.2**	**25.6**

PROFIT AND LOSS		2023A	2024A	2025F	2026F	2027F
Revenue	$m	4.2	5.3	7.4	31.2	25.6
Gross Profit	**$m**	**3.2**	**3.7**	**5.3**	**28.1**	**21.1**
Other Revenue (R&D tax rebate)	$m	3.2	3.1	3.0	3.0	0.0
EBITDA	**$m**	**(6.6)**	**(8.1)**	**(6.6)**	**15.5**	**6.3**
Depreciation & Amortisation	$m	(0.6)	(0.5)	(0.6)	(0.7)	(0.7)
EBIT	$m	(7.2)	(8.6)	(7.2)	14.9	5.5
Net interest	$m	0.9	1.0	0.8	1.4	2.4
Non-operating income	$m	0.1	0.4	0.0	0.0	0.0
Pretax Profit	**$m**	**(6.2)**	**(7.2)**	**(6.4)**	**16.3**	**7.9**
Tax expense*	$m	0.0	0.0	0.0	0.0	0.0
Minorities	$m	0.0	0.0	0.0	0.0	0.0
Underlying NPAT	**$m**	**(6.2)**	**(7.2)**	**(6.4)**	**16.3**	**7.9**
Significant items	$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	$m	(6.2)	(7.2)	(6.4)	16.3	7.9

GROWTH PROFILE		2023A	2024A	2025F	2026F	2027F
Revenue	%	177%	25%	40%	321%	-18%
Gross profit	%	288%	15%	44%	429%	-25%
EBITDA	%	27%	-22%	19%	337%	-60%
EBIT	%	23%	-20%	17%	307%	-63%
Underlying NPAT	%	31%	-15%	12%	357%	-51%
Underlying EPS	%	32%	-12%	15%	334%	-55%
DPS	%	0%	0%	0%	0%	0%

BALANCE SHEET		2023A	2024A	2025F	2026F	2027F
Cash	$m	24.8	20.6	12.7	46.1	51.8
Receivables	$m	0.8	1.2	1.2	1.7	3.0
Income Tax Receivable	$m	0.0	0.0	0.0	0.0	0.0
Inventory	$m	1.0	1.2	1.3	1.4	1.6
Other	$m	0.2	0.1	0.1	0.1	0.1
Current	$m	26.9	23.0	15.3	49.4	56.5
Prop, plant & equip	$m	1.1	1.9	2.6	3.2	3.2
Intangibles	$m	1.1	1.0	1.0	0.9	0.8
Right-of-Use Assets	$m	0.5	0.7	0.5	0.3	0.2
Other	$m	0.0	0.0	0.0	0.0	0.0
Non current	$m	2.7	3.6	4.0	4.4	4.2
Total assets	**$m**	**29.6**	**26.6**	**19.3**	**53.7**	**60.7**
Accounts Payable	$m	0.9	1.5	1.5	1.6	1.5
Borrowings	$m	0.0	0.0	0.0	0.0	0.0
Contract Liabilities	$m	20.7	18.4	16.1	13.8	11.5
Other	$m	1.9	2.2	2.1	1.9	1.8
Total liabilities	**$m**	**23.5**	**22.1**	**19.7**	**17.3**	**14.8**
Net assets	$m	6.1	4.5	(0.3)	36.5	45.9
Equity	$m	6.1	4.5	(0.3)	36.5	45.9
Minorities	$m	0.0	0.0	0.0	0.0	0.0
Shareholder's equity	**$m**	**6.1**	**4.5**	**(0.3)**	**36.5**	**45.9**
Shares on issue (basic)	m	197.3	209.3	209.6	249.6	249.6

CASH FLOW		2023A	2024A	2025F	2026F	2027F
Reported NPAT	$m	(6.2)	(7.2)	(6.4)	16.3	7.9
Non-cash items	$m	3.1	2.6	2.1	2.2	2.2
Change in working capital	$m	17.7	(1.9)	(2.4)	(2.9)	(3.7)
Other operating cash flow	$m	0.0	0.0	0.0	0.0	0.0
Operating cash flow	**$m**	**14.6**	**(6.5)**	**(6.7)**	**15.6**	**6.4**
Capital expenditure	$m	(0.6)	(0.9)	(1.0)	(1.0)	(0.5)
Payment for intangible assets	$m	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Acquisitions/divestment/other	$m	0.0	0.0	0.0	0.0	0.0
Investing cash flow	**$m**	**(0.6)**	**(0.9)**	**(1.0)**	**(1.0)**	**(0.5)**
Free cash flow	**$m**	**14.0**	**(7.4)**	**(7.7)**	**14.6**	**5.9**
Equity	$m	0.0	3.5	0.0	19.0	0.0
Change in borrowings	$m	0.0	0.0	0.0	0.0	0.0
Dividend/lease liabilities/other	$m	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)
Financing cash flow	**$m**	**(0.2)**	**3.2**	**(0.1)**	**18.8**	**(0.2)**
Net cash flow	**$m**	**13.8**	**(4.2)**	**(7.9)**	**33.4**	**5.7**

** OCC had unused Australian tax losses of ~$7.4m at the end of FY22. Their FY23 net loss was $6.2m. On our estimate they have ~$13.6m in unused tax losses that they can utilise to offset their future profits.*

Source: Petra Capital

FY24 – Result summary

A summary of the FY24 result is shown in Figure 1 below.

Figure 1: FY24 Result Summary

Year end June	Result vs PCP			Result vs Forecast		
Key Financials (Amounts in $m except EPS)	**FY23A**	**FY24A**	*Change*	**FY24F**	*Variance*	**Comments**
Revenues	**4.2**	**5.3**	*25%*	**5.3**	*0%*	**Revenue in-line**
COGS	1.0	1.6	*59%*	1.5	*11%*	COGS modestly higher than forecast
Gross Profit	**3.2**	**3.7**	*15%*	**3.8**	*-4%*	**Gross profit largely in-line**
Gross margin	*47.1%*	*46.0%*	*-111bps*	*50.9%*	*-495bps*	Gross margin lower than our forecast
Other revenue (R&D tax incentive)	**3.2**	**3.1**	*-4%*	**3.1**	*0%*	**R&D tax rebate in-line**
Total operating costs	13.0	14.9	*14%*	15.4	*-3%*	Opex lower than forecast primarily driven by lower G&A costs
EBITDA	**-6.6**	**-8.1**	*22%*	**-8.5**	*-5%*	**EBITDA loss lower driven primarily by lower opex**
D&A	-0.6	-0.5	*-7%*	-0.9	*-42%*	D&A lower than forecast
EBIT	**-7.2**	**-8.6**	*20%*	**-9.4**	*-8%*	**Larger beat at EBIT due to lower D&A**
Net Interest Income/(expense)	0.9	1.0	*21%*	1.0	*1%*	Interest income in-line
Other Income/(expense)	0.1	0.4	*427%*	0.2	*115%*	Other income of ~417k (vs. PCe ~194k)
Pretax Profit (Loss)	-6.2	-7.2	*15%*	-8.2	*-12%*	
Underlying NPAT	**-6.2**	**-7.2**	*15%*	**-8.2**	*-12%*	**Larger beat at NPAT due to higher other income**
Underlying EPS - Diluted (cents)	**-3.2**	**-3.6**	*12%*	**-4.0**	*-12%*	

Source: Company data and Petra Capital Estimates

Key result take-outs include:

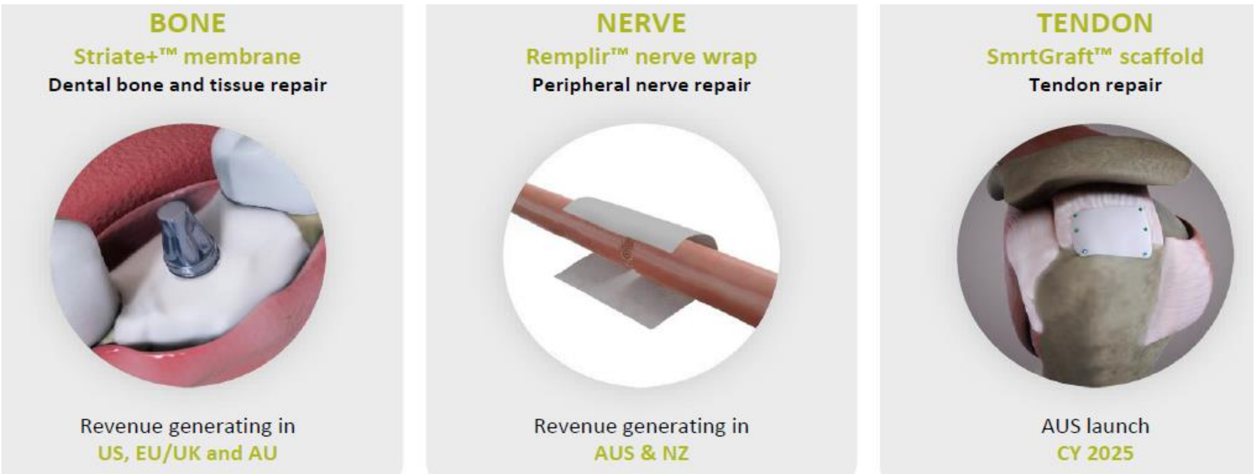
- **Revenue in-line:** FY24 revenue of $5.3m (up 25% YoY) was in line with PCe $5.3m. It included $3.0m product sales revenue and $2.3m amortised license fee from BioHorizon, with growth driven by ~55% growth in product sales over pcp. **Sales of Remplir (for nerve repair) more than doubled in FY24 over pcp to $1.04m** (127% growth over pcp). **Sales of Striate (for dental bone repair)** of $3.41m (incl. licensee fee) in FY24 grew 14% over pcp, with product sales growing 61% YoY. Sales from from cell therapy business while modest, still grew 9% over pcp. **Other revenue (R&D tax rebate)** was also in-line at $3.1m.
- **Gross profit largely in-line:** FY24 gross profit of $3.7m (up 15% YoY) was largely in line with PCe $3.8m, with the variance driven by lower gross margin. Gross margin of 46.0% was 495 bps lower than PCe and also 111 bps below pcp. We expect gross margins to improve with scale and with the share of the higher margin Remplir product increasing within the product mix.
- **Operating costs were modestly lower than expected:** Opex of $14.9m (up 14% YoY) were 3% lower than our forecast of $15.4m. R&D and S&D costs were modestly higher than our forecast but were more than offset by lower G&A costs. We note that FY24 opex included $2.1m of non-cash share-based payment expense (including one-off $0.6m cost of share issue to University of Western Australia related to the royalty buyout for Celgro platform), which was higher than our $1.2m forecast. While both R&D and S&D increased over pcp (noting that S&D costs included the UWA share based payment), they were partially offset by lower G&A costs. For FY25, we expect S&D costs to go up, however expect it to be offset by both lower R&D costs (with US Remplir study nearing completion) and lower G&A costs.
- **EBITDA loss lower than our forecast:** EBITDA loss of $8.1m (up 22% over pcp) was 5% lower than our forecast loss of $8.5m and was driven primarily by the opex differential. Higher opex and lower gross margin vs. pcp dove the net loss up, despite the strong growth in revenue over pcp.
- **12% beat at NPAT:** Net loss of $7.2m (up 15% YoY) was $1m lower than our forecast loss of $8.2m, with higher other income ($0.4m vs. PCe $0.2m) and lower D&A modestly increasing variance from the EBITDA line.
- **Strong cash position and no debt:** Cash at end of FY24 of $20.6m was ahead of PCe $18.3m, driven by lower operating cash outflow and lower capex than our forecast. The company has no debt and has re-iterated it is funded through to the key inflexion point of US approval of Remplir expected in 1QCY25 and its subsequent FY25 launch.

Outlook: Geographic expansion the key forward focus

Growing Celgro pipeline – Bone, Nerve and Tendon

OCC is growing the number of products from its Celgro platform (Figure 2). The two commercial products Striate and Remplir are currently in select markets with the focus in near-term on additional regulatory approvals to access new markets. OCC now has a third product for tendon called SmrtGraft for which a regulatory application has been filed in Australia, with launch expected in CY25. We note that our forecasts do not include any value for the SmrtGraft Tendon product at this stage. As such, the tendon opportunity represents an upside to our valuation.

Figure 2: OCC's Product Pipeline from Celgro Platform



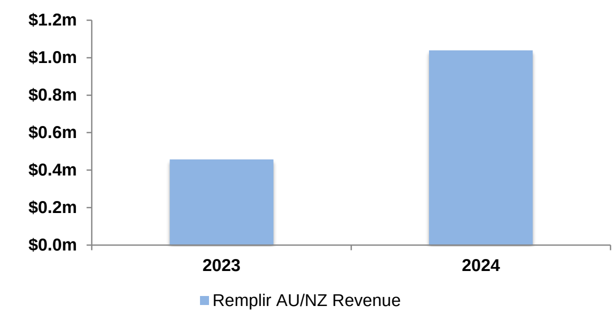
Source: Company presentation

Growing revenues from both Striate and Remplir from existing commercial markets

Commercial launch of Remplir in AU through distributor Device Technologies and that of Striate in US through distributor BioHorizons was in November 2022. Remplir is currently approved and marketed in AU and NZ. Striate is currently approved in AU, US, EU/UK and Canada, with launch in Canada expected in FY25. In just over 18 months since launch, both products continue to gain traction, with revenues growing strongly over pcp in FY24 (Figure 3, Figure 4).

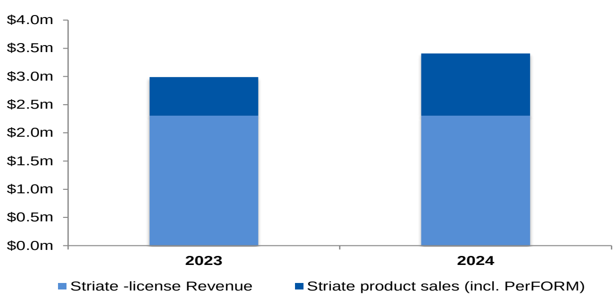
OCC has flagged that 1QFY25 revenue is displaying strong growth and is ahead of company expectations, which after the previous record 4Q revenue quarter is very encouraging and supports the positive feedback and traction the company is getting for its products.

Figure 3: Remplir revenue in AU/NZ +127% vs pcp in FY24



Source: Company reports and Petra Capital

Figure 4: Striate product revenue (excl. license revenue) +61% vs pcp in FY24



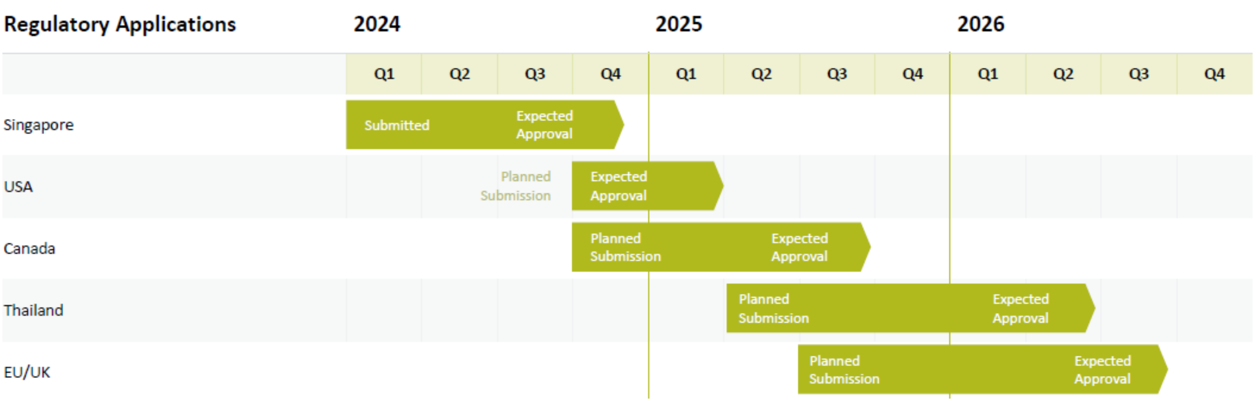
Source: Company reports and Petra Capital

Geographic expansion the key forward focus and revenue growth driver

While OCC is executing on growing revenues from existing commercial markets, the company is also focused on expanding its global footprint to further accelerate this revenue growth. Approval for Striate in Canada was received last month (Jul-24). **The company has seven regulatory applications either in progress or planned** across both its Striate and Remplir products over the next 6-12 months (5 for Remplir including US and Singapore) and 2 for Striate (Figure 5, Figure 6).

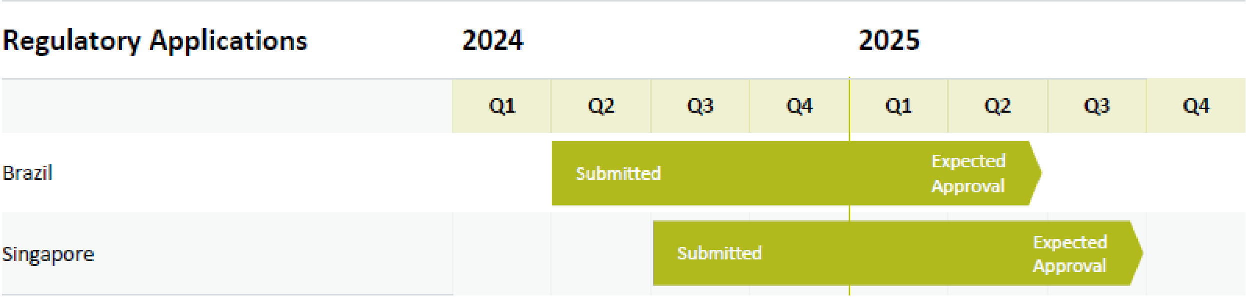
We note that we do not model Remplir revenue from Singapore, Canada and Thailand in our forecasts at this stage. We also do not model Striate revenue from Singapore, however for Striate we model revenues from Japan (est. launch FY27). As such, these additional markets represent an upside to our revenue forecasts.

Figure 5: Remplir – Entry into 5 new markets expected over the next 2 years with US the key



Source: Company presentation

Figure 6: Striate – Entry into 2 new markets expected over the next 12 months, with Canada launch in FY25 too



Source: Company presentation

Partnering deals could boost cash reserves, with its AU based manufacturing adding appeal

OCC has appointed US advisors to assist it with securing a global partnership for its breakthrough Remplir product. Our current forecasts assume a licensing deal in CY26. A distribution deal earlier than we forecast would therefore be an upside to our valuation and a boost to OCC's cash reserves.

Separately, the company is also working with a US adviser to assist it with securing a commercial partner to progress development and registration for its non-core tendon cell therapy asset OrthoATI. This could provide an additional revenue stream in future from a licensing deal and downstream royalties not currently in our valuation for the company, while OCC continues to focus on its core Celgro medical device platform as its key revenue driver.

We also note that that OCC's appeal with manufacturing of its products based in Australia and certified under MDSAP (a key requirement for global regulators such as Canada) to global biopharma companies cannot be underappreciated. This is especially true given the scrutiny on the supply chain amidst the Biosecure Act in US targeting specific Chinese contract manufacturers.

Forecast and valuation changes

We have downgraded our FY26 NPAT forecast by 5%. The change to our FY25 NPAT forecast was immaterial (~2%). The key drivers of changes to earnings were:

- **A 2-4% decrease in our revenue forecasts:** This was driven by lower transfer pricing for Remplir (assuming CPI price increase of ~3% to distributor transfer price is deferred to FY28) and trimming Striate unit volume forecasts (no change to peak but modestly slowing the ramp up curve to get there), while modestly increasing our cell therapy revenue forecasts (re-basing off FY24 levels).
- **A 2-3% change in our opex forecasts:** We have rebased our opex forecasts over that reported for FY24. For FY25 we have decreased our opex by 3% while for FY26 we have increased it by 2%. For FY25, the decrease is led by lower G&A costs, which offset both an increase in our R&D and S&D costs. As a result, we now expect FY25 opex to be in-line with FY24 (noting pcp had $0.6m of one-off costs related to UWA royalty buyout). For FY26, the increase was driven by an increase in our S&D costs (related to Remplir marketing in US to KOLs), partially offset by lower G&A costs. Like the rest of its current business, we continue to expect OCC to target a distributor for Remplir in US. Therefore, while S&D costs will go up from historical levels till that event occurs, we expect OCC to do a targeted roll out to key KOLs in the interim, keeping the cost increase modest.
- **A modest decrease in our COGS forecasts:** The drop was lower than the drop in revenue due to us lowering our gross margin assumptions, given the lower-than-expected margins.
- **A decrease in interest income forward forecasts:** This was primarily driven by lower cash balances as we have pushed out our assumed gross $20m capital injection from FY25 to FY26. OCC has appointed US advisers to assist it with securing a 'large global distribution partner for Remplir'. We believe the company has flexibility around the spend and its timing required to further its KOL engagement and subsequent marketing of Remplir in the US after its approval in 1QCY25.

The changes in our key forecasts are shown in Figure 7 below:

Figure 7: Summary of changes to earnings

Year End June	FY2025F			FY2026F		
Key Forecasts	**Old**	**New**	**Chg**	**Old**	**New**	**Chg**
Revenues	7.7	7.4	-4%	31.9	31.2	-2%
Other revenues	3.0	3.0	0%	3.0	3.0	0%
Interest Income	1.1	0.8	-29%	1.8	1.4	-19%
COGS	2.1	2.1	-1%	3.2	3.1	-2%
Opex	15.3	14.9	-3%	15.3	15.6	2%
EBITDA	-6.7	-6.6	2%	16.4	15.5	-5%
EBIT	-7.7	-7.2	6%	15.3	14.9	-3%
Underlying NPAT	-6.5	-6.4	2%	17.1	16.3	-5%
Underlying EPS (diluted)	-2.8	-3.0	-7%	6.9	7.1	3%

Source: Petra Capital Estimates

TP unchanged at $1.28/sh, offers >3x upside

Updates to our DCF for the earnings changes were offset by rolling forward our DCF model. Our valuation and TP for OCC remains unchanged at $1.28/sh. There are no changes to our key DCF assumptions (WACC of 13.0% and terminal growth rate of 1%). Our TP represents ~3.4x upside to current share price so we reiterate our BUY rating. The summary of our valuation is shown in Figure 8 and sum-of-parts by asset in Figure 9.

Figure 8: Summary of Revised Diluted vs. Undiluted DCF Valuation for OCC

Forecasts	Current (diluted)	Undiluted valuation
Enterprise value from DCF (AUDm)	299.5	299.5
Add: Last reported Cash (AUDm)	20.6	20.6
Less: Debt	0.0	0.0
Equity value (AUDm)	320.1	320.1
Add: Potential cash from exercise of options (AUDm)	1.5	
Total Equity Value (AUDm)	321.6	320.1
Total shares (million)	252.1	209.6
Value per share (AUD)	**$1.28**	**$1.53**

Source: Petra Capital Estimates

Figure 9: OCC Revised Sum-of-parts DCF Valuation Summary

Asset	Commercial Partner	Stage	Peak Market share	Un-risked Peak Sales (US$m)	Un-risked Peak OCC Revenue (A$m)	Probability of success	Probability adjusted NPV (A$m)	Value per share (A$)	% Mix
Striate - Dental bone and soft tissue	BioHorizons and Ace Southern (Henry Schein subsidiaries)	In-market US, EU/UK & AU/NZ, CA, BR, JP - est. launch FY25-FY27	8.0%	$61	$28	100.0%	$32.0	**$0.13**	10.0%
Remplir- Nerve Repair	Device Technologies (AU/NZ), Rest to be partnered	In-market (AU/NZ), US launch est. 2HFY25, EU/UK launch est. FY27	13.5%	$305	$190	100% AU/NZ, 75% US (50% for US license fee), 60% EU/UK	$367.9	**$1.46**	114.4%
Other Pipeline/Non-allocated (incl. autologous cell therapies)	NA	NA	NA	NA	NA	NA	($100.4)	**-$0.40**	-31.2%
Cash	NA	NA	NA	NA	NA	NA	$20.6	**$0.08**	6.4%
Potential cash from exercise of options & performance rights	NA	NA	NA	NA	NA	NA	$1.5	**$0.01**	0.5%
Equity Value							**$321.6**	**$1.28**	**100%**

Source: Petra Capital Estimates

The sensitivity of our valuation for a 50bps increase or decrease in WACC and the terminal growth rate is shown in Figure 10 below:

Figure 10: Sensitivity Analysis of DCF Valuation to WACC and Terminal Growth Rate

		WACC				
		12.0%	**12.5%**	**13.0%**	**13.5%**	**14.0%**
Terminal Growth	**-0.5%**	$1.34	$1.26	$1.19	$1.12	$1.06
	0.0%	$1.37	$1.29	$1.21	$1.14	$1.08
	0.5%	$1.41	$1.32	$1.24	$1.17	$1.10
	1.0%	$1.45	$1.36	$1.28	$1.20	$1.13
	1.5%	$1.50	$1.40	$1.31	$1.23	$1.16
	2.0%	$1.55	$1.44	$1.35	$1.26	$1.19
	2.5%	$1.61	$1.49	$1.39	$1.30	$1.22

Source: Petra Capital Estimates

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