EDISON

Recce Pharmaceuticals

Financing update

Funding secured to start Phase III pivotal trials

Healthcare

23 April 2025

Recce is raising up to A$15.8m in equity fundraising through a now-completed A$5.0m share placement and an entitlement offer for remaining shareholders that could raise up to an additional A$10.8m in gross proceeds. Both rounds of financing are priced at A$0.28 per new share. We anticipate the total funding should support Recce's operations into Q226 (Q4 CY25) as its near-term focus lies on advancing R327 topical gel (R327G) through registration-enabling pivotal studies. We expect Recce to start a registrational Indonesian Phase III study of R327G for the treatment of diabetic foot infections (DFIs) in the coming weeks. We now obtain an rNPV valuation of A$615.1m and our per-share valuation adjusts to A$2.51 per share (vs A$2.68 previously), reflecting the increase in shares outstanding after the placement.

Year end	Revenue (AUDm)	PBT (AUDm)	EPS (AUD)	DPS (AUD)	P/E (x)	Yield (%)
6/23	4.3	(13.1)	(0.08)	0.00	N/A	N/A
6/24	4.9	(17.8)	(0.10)	0.00	N/A	N/A
6/25e	10.5	(15.7)	(0.06)	0.00	N/A	N/A
6/26e	5.9	(40.0)	(0.14)	0.00	N/A	N/A

Note: PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Bulk of financing directed towards topical R327G

Approximately A$5.6m of the fundraising proceeds are being allocated towards Recce's Phase III Indonesian study, which is planned to start in Q2 CY25. Positive interim results, expected in Q1 CY26, could lead to commercial launch in Indonesia and other Association of Southeast Asian Nations (ASEAN) member state countries in H2 CY26. Recce has earmarked an additional A$4.6m from the financing to start a separate Phase III trial in Australia in acute bacterial skin and skin structure infections (ABSSSI) in H2 CY25.

US IND filing planned for H2 CY25 or H1 CY26

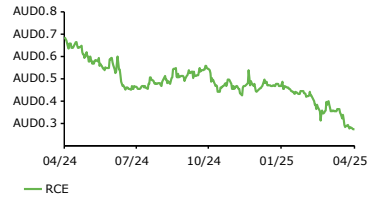
Recce anticipates completing an Investigational New Drug (IND) application with the FDA in late CY25 or early CY26. This should allow R327 to be assessed in US clinical trials. We continue to anticipate potential commercialisation for R327G in ABSSSI in CY28 in the US and Australia. We also model that Recce will start a US-based study for the intravenous formulation of R327 in CY26.

Valuation: Revisions post-financing

Our underlying operating forecasts are unchanged since our previous note. Following the A$5m placement, we now obtain an rNPV including A$3.0m Q225 pro forma net cash of A$615.1m (or A$2.51 per share), versus A$610.1m (or A$2.68 per share) previously. The reduction in the value per-share is due to the increase in shares outstanding. If the entitlement offer is fully exercised (A$10.8m), our per-share valuation would decrease to A$2.17 and we then expect Recce's funds on hand should be enough for it to maintain its operations into Q226 (Q4 CY25).

Price	**AUD0.290**
Market cap	**AUD67m**
Pro forma net cash/(debt) at 31 December 2024 (adjusted for April 2025 A$5.0m placement)	AUD3.0m
Shares in issue (including proceeds from April 2025 A $5.0m placement but excluding entitlement offer)	249.7m
Code	RCE
Primary exchange	ASX
Secondary exchange	FSE

Share price performance



%	1m	3m	12m
Abs	(19.8)	(39.0)	(40.9)
52-week high/low		AUD0.7	AUD0.3

Business description

Recce Pharmaceuticals is an Australian company developing its novel, broad-spectrum synthetic polymer anti-infective drugs for the treatment of several infectious diseases, including sepsis, acute bacterial skin and skin structure infections, diabetic foot infections, burn wound infections and urinary tract infections.

Next events

Start Phase III Indonesian study of R327G in diabetic foot infection	Q2 CY25
Start Phase III Australian study of R327G in ABSSSI	H2 CY25

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Edison profile page

Recce to raise up to A$15.8m

On 10 April 2025, Recce announced it is raising up to A$15.8m in equity fundraising through a A$5.0m share placement to an Australian-based private investor, priced at A$0.28/share (a 13.8% discount to the 9 April closing price of A $0.325/share) and up to A$10.8m through an entitlement offer to the remaining shareholders to allow them to buy a proportionate amount of shares at the same price. The placement has now completed and settled, with the 17.9m new shares now listed for trading.

Under the entitlement offer, the remaining Recce shareholders who held shares on 16 April will have the option to buy one new Recce common share for every six shares held at an issue price of A$0.28 per share. The entitlement offer will run from 22 April to 5 May and any new shares not applied or subscribed for will form part of a shortfall facility. Eligible shareholders who take up their full entitlement may then apply for additional new shares under the shortfall facility. All in, if maximally subscribed (including the shortfall facility), we estimate that an additional 38.6m shares could be issued from the entitlement offer, resulting in A$10.8m in gross proceeds.

The allotment of new shares under the entitlement offer and their start of trading (and listing) is expected between 5 and 9 May.

Funds largely directed towards a topical R327G programme

Recce's primary focus for CY25 is on advancing the topical gel formulation (R327G) of its lead anti-infective therapeutic drug candidate, R327. The company is gearing up to start a registration-enabling pivotal Phase III Indonesian study in Q2 CY25 for R327G as a treatment for DFIs, as detailed in our earlier note, and is expected to start imminently. Approximately A$5.6m of the proceeds from the fundraising will be allocated to this study. If results are supportive and consistent with earlier data from a Phase I/II DFI study (reported January 2024) and more recent data (reported February 2025) from Recce's open-label Phase II R327G study in ABSSSI, we anticipate potential commercialisation in Indonesia and ASEAN countries in H2 CY26. This would provide Recce's earliest R327 commercialisation opportunity.

Exhibit 1: Allocation of proceeds from Recce's Q2 CY25 placement and entitlement offer

Funding Phase III Trials

Equity raising to support Registrational Phase III trials in Indonesia and Australia – the catalyst for revenues in 2026

Use of Funds	Placement & Entitlement A$15.8m[1]
Phase III Diabetic Foot Infections (DFI) Registrational Topical Clinical Trial in Indonesia	$5.6m
Phase III Acute Bacterial Skin and Skin Structure Infections (ABSSSI) Registrational Topical Clinical Trial in Australia	$4.6m
US Department of Defense Burn Wound Program	$2.5m
Activities enabling Investigational New Drug application to FDA & the Indonesia FDA (BPOM)	$2.0m
General working capital (operational costs delivering above) and offer costs	$1.1m
Total Uses	**$15.8m**

Commentary

Proceeds of A$5.0 million to be raised under the Placement and up to A$10.8 million to be raised under the Entitlement Offer.

The A$5.0 million proceeds from the Placement will be applied to commence one of the Phase III trials, additional proceeds from the Entitlement Offer will be allocated to other programs currently in development by the company. Recce will look at alternative funding solutions to ensure the full quantum of capital is raised where required.

Capital raising of up to approximately A$15.8 million will be used towards:

- Phase III DFI Registrational Topical Clinical Trial in Indonesia – the catalyst for revenue in 2026;
- Commencement of Phase III ABSSSI Registrational Topical Clinical Trial in Australia; and
- Additional clinical activities, Investigational New Drug Application to the FDA and working capital.

Cash position post equity raising:

- Pro-forma cash position of A$17.7 million post capital raising[2];
- Excludes an additional estimated R&D rebate of A$8.5 million from the ATO (expected Q4 2025); and
- Excludes non-dilutive capital via R&D advance of approximately A$10.0 million anticipated following completion of the capital raise

Notes: (1) Assumes A$5.0 million raised via the Placement and A$10.8 million via the Entitlement Offer.
(2) Includes cash balance as at 31 December plus proceeds from the Offer (before Offer costs).

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Source: Recce Pharmaceuticals

In addition to funding the Indonesian Phase III study, Recce also plans to spend A$2.0m of the financing proceeds to prepare for the regulatory approval application for R327G to the Indonesian Food and Drug Authority (BPOM) and for the potential filing of an IND application with the FDA. IND clearance would then allow US clinical studies of R327 to begin. As discussed in our earlier note, we expect Recce will complete and submit an IND application to the US

FDA in H2 CY25 or H1 CY26, for both the topical and IV formulations of R327. We anticipate the IND clearance of the intravenous (IV) formulation to inform development steps for a Phase II complicated urinary tract infection (and urosepsis) trial of IV R327 with US study sites, but we do not anticipate a study to start until H1 CY26.

In addition, Recce has earmarked A$4.6m from the financing to start a separate Phase III ABSSSI registrational study in Australia. The company had signalled its plans to start this Phase III ABSSSI study in Australia in H2 CY25 and we await details on the planned design for the study. We expect that IND clearance by the FDA (as discussed above) would also enable Recce to either expand this planned Phase III Australia ABSSSI R327G study to include US study sites, or to start a separate US-based Phase III ABSSSI study. Altogether we continue to model commercialisation of R327G in ABSSSI in the US and Australia in CY28.

In addition, A$1.1m of the financing has also being allocated for general working capital purposes. At end-H125 (31 December), Recce reported gross cash of A$1.94m and A$3.96m in debt, resulting in a net debt position of A$2.02m (excluding A$0.8m in lease liabilities). After considering the A$5.0m placement and provided that Recce's A$10.8m entitlement offer is fully subscribed, its pro forma gross cash balance (at end-December 2024) would then be A$17.7m. We expect this would be enough to fund the company's operations into Q2 FY26.

Recce to add up to 20 DFI patients in open-label Phase II R327G study

The company recently announced that it has received Human Research Ethics Committee approval for up to 20 additional patients to receive R327G as part of the existing open-label Phase II study protocol for this Australian study. Recce first announced in February 2025 that this study in ABSSSI achieved all primary and secondary efficacy endpoints, whereby after seven days of treatment, 86% of patients (25 of 29) treated with R327G had a successful clinical response, and at 14 days of treatment, 93% (27 of 29) had achieved a primary efficacy endpoint. The addition of up to 20 additional DFI patients to this study protocol provides an opportunity to strengthen the clinical data profile of R327G and to support future regulatory submissions. Recce expects this study to run in parallel to the company's Indonesian Phase III DFI study (discussed further below) and the company's planned Australian Phase III study in ABSSSI (due to begin in H2 CY25).

Topical R327G set to start Indonesian Phase III study

Recce's next key catalyst is starting the R327G registration-enabling Phase III pivotal study that if successful would transition the company to a commercial-stage entity. Recce is in final stages of manufacturing of the topical gel product and placebo. Once completed and the product has been sent to Indonesia, Recce expects to start patient dosing imminently.

The Indonesian Phase III study will be a double-blinded placebo-controlled design with a planned total enrolment of 300 patients, where R327G will be compared to placebo (with 200 subjects planned to receive R327G and 100 to receive placebo). The study will be initially conducted at PT Siloam International Hospitals, the largest private hospital network in Indonesia. The company expects the study to run for approximately 12 months. Recce anticipates the Indonesian registrational Phase III DFI study may reach statistically significant efficacy after completing treatment on 106 patients (compared to the trial's planned enrolment of 300 patients). Recce expects to report interim data (on 106 patients) from the Phase III study, consistent with the BPOM-approved study protocol, by Q1 CY26. If positive, the company expects to be able to launch R327 in Indonesia in CY26 and our model continues to assume a potential launch in Indonesia and other ASEAN territories in H2 CY26.

Financials and valuation

Our operating forecasts are essentially unchanged; see our last note for details.

As Recce's current share price is at or above the exercise price (A$0.28) of the entitlement offer, our model and forecasts assume the entitlement will be exercised in full, resulting in gross proceeds of A$10.8m (leading to total Q2 CY25 financing of A$15.8m in gross proceeds including the closed A$5.0m private placement). This also results in an increase in shares outstanding by 38.6m (from an estimated 249.7m after the A$5.0m share placement). We estimate the A$15.8m in gross proceeds will support Recce's operations into Q226 (Q4 CY25), as it initiates the Phase III Indonesian study and the Phase III Australian ABSSSI study.

Given it has not yet closed, our baseline Recce valuation does not include proceeds (or related share issuances) from the entitlement offer. The only difference compared to our last valuation is that we now consider the A$5.0m in gross

proceeds received by the institutional placement in April 2025. At end-H125 (31 December), Recce reported gross cash of A$1.94m and A$3.96m debt. Given the A$5.0m placement, we calculate a Q225 pro forma net cash position of A $3.0m (excluding A$0.8m in lease liabilities).

Exhibit 2: Recce Pharmaceuticals rNPV valuation

Product	Indication	Launch	Sales (A$m) in 2033	NPV (A$m)	Probability of success	rNPV (A$m)	rNPV/basic share (A$)
R327 (IV)	Sepsis	H2 CY29	3,582	3,500.6	15%	507.4	2.03
R327 (IV)	Complicated UTI	H2 CY29	439	417.3	15%	58.0	0.23
R327 (topical)	Burn wounds	CY28	306	295.3	20%	54.7	0.22
R327 (topical)	ABSSSI	CY28	452	517.3	20%	97.1	0.39
R327 (topical)	Diabetic foot infections (ASEAN)	H2 CY26	57	31.3	35%	10.7	0.04
Corporate costs				(105.1)		(105.1)	(0.42)
Pro forma Net cash at 31 Dec 2024				3.0		3.0	0.01
Total equity value						615.1	2.51

Source: Edison Investment Research

We now obtain an rNPV, including A$3.0m Q225 pro forma net cash, of A$615.1m (or A$2.51 per share), versus A $610.1m (or A$2.68 per share) previously. The reduction in the per-share value is due to the 17.9m increase in shares outstanding after the placement. If we assume full allotment of the entitlement offer (A$10.8m), our per-share valuation would decrease to A$2.17 per share.

If the entitlement offer is fully exercised, we calculate the company's pro forma gross cash position at end-H125 to be A $17.7m. As stated earlier, we assume this cash level will be enough for Recce to maintain its operations into Q226 (Q4 CY25). We continue to assume clinical trial-related costs for each of the four indications in our model (ABSSSI, sepsis, cUTIs and burn wounds) will ramp up significantly in FY26. Any delays to the start of such activities would reduce our funding estimates but may push back our potential launch forecasts.

Depending on the availability of capital, the company may decide to prioritise certain programmes, which could affect the timing of launches in non-prioritised indications and our overall valuation. Our funding model assumes Recce will advance all four programmes in parallel. However, if the company prioritises R327G in ABSSSI and DFIs and puts its remaining development programmes on hold until the initial R327G commercial approval, its overall funding need will reduce as it could then apply post-launch commercial revenue towards resuming R&D and product development activities in the remaining targeted indications. Partnerships and/or non-dilutive forms of funding (such as third-party sponsorship of clinical trials) could also reduce the future funding need, although these are not specifically included in our forecasts.

Assuming Recce continues to develop all four planned clinical-stage indications, we project it would need to raise A $125m in total net proceeds by FY29 (vs A$140m previously) before becoming sustainably cash flow positive. As per the usual Edison method, we model these raises as illustrative debt. If our projected funding need of A$125m is raised through equity issuances at the prevailing market price of c A$0.29, our effective value per share would decrease to A $1.09 (including cash raised via equity).

Exhibit 3: Financial summary

A$(000)	2020	2021	2022	2023	2024	2025e	2026e
Year end 30 June	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue	1,122	1,857	3,085	4,311	4,906	10,451	5,869
Cost of Sales	0	0	0	(0)	(0)	(0)	(0)
Gross Profit	1,122	1,857	3,085	4,311	4,906	10,451	5,869
Sales, General & Administrative	(3,136)	(9,511)	(7,677)	(9,779)	(14,526)	(11,074)	(11,518)
Net Research & Development	(2,071)	(5,657)	(6,285)	(7,330)	(7,159)	(13,492)	(30,159)
EBITDA	(4,085)	(13,311)	(10,878)	(12,797)	(16,778)	(14,115)	(35,808)
Depreciation & amortisation of intangible assets	0	0	0	0	0	0	0
Depreciation, amortisation & other	(201)	(296)	(188)	(217)	(367)	(752)	(410)
Normalised Operating Profit (ex. amort, SBC, except.)	(4,231)	(8,389)	(10,809)	(12,689)	(17,125)	(14,483)	(36,217)
Operating profit before exceptionals	(4,286)	(13,607)	(11,065)	(13,014)	(17,145)	(14,867)	(36,217)
Exceptionals including asset impairment	0	0	0	54	143	0	0
Other	0	0	0	0	0	0	0
Reported Operating Profit	(4,286)	(13,607)	(11,065)	(12,960)	(17,002)	(14,867)	(36,217)
Net Finance income (costs)	(31)	94	79	(117)	(660)	(847)	(3,775)
Profit Before Tax (norm)	(4,317)	(13,513)	(10,986)	(13,131)	(17,805)	(15,714)	(39,992)
Profit Before Tax (FRS 3)	(4,317)	(13,513)	(10,986)	(13,077)	(17,662)	(15,714)	(39,992)
Tax	0	0	0	0	0	0	0
Profit After Tax and minority interests (norm)	(4,317)	(13,513)	(10,986)	(13,131)	(17,805)	(15,714)	(39,992)
Profit After Tax and minority interests (FRS 3)	(4,317)	(13,513)	(10,986)	(13,077)	(17,662)	(15,714)	(39,992)
Average Basic Number of Shares Outstanding (m)	127.2	155.4	174.1	174.0	177.1	246.2	288.4
EPS - normalised (A$)	(0.03)	(0.09)	(0.06)	(0.08)	(0.10)	(0.06)	(0.14)
EPS - normalised and fully diluted (A$)	(0.03)	(0.09)	(0.06)	(0.08)	(0.10)	(0.06)	(0.14)
EPS - (IFRS) (A$)	(0.03)	(0.09)	(0.06)	(0.08)	(0.10)	(0.06)	(0.14)
Dividend per share (A$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BALANCE SHEET							
Fixed Assets	505	501	439	608	1,233	672	434
Intangible Assets	0	0	0	0	0	0	0
Tangible Assets	505	501	439	608	1,233	672	434
Investments in long-term financial assets	0	0	0	0	0	0	0
Current Assets	2,739	21,181	12,185	1,947	5,136	11,326	51,572
Short-term investments	0	0	0	0	0	0	0
Cash	2,682	20,873	11,582	1,562	4,415	10,262	50,508
Other	57	308	603	386	721	1,064	1,064
Current Liabilities	(885)	(1,078)	(2,447)	(4,850)	(15,070)	(9,138)	(9,138)
Creditors	(885)	(1,078)	(2,447)	(1,802)	(5,381)	(4,436)	(4,436)
Short-term borrowings	0	0	0	(3,048)	(9,689)	(4,701)	(4,701)
Long-Term Liabilities	(46)	(100)	(115)	(295)	(824)	(796)	(80,796)
Long-term borrowings	0	0	0	0	0	0	(80,000)
Other long-term liabilities	(46)	(100)	(115)	(295)	(824)	(796)	(796)
Net Assets	2,313	20,504	10,061	(2,589)	(9,524)	2,064	(37,928)
CASH FLOW STATEMENT							
Operating Income	(4,286)	(13,607)	(11,065)	(12,960)	(17,002)	(14,867)	(36,217)
Movements in working capital	253	144	1,532	(152)	4,266	(1,052)	0
Net interest and financing income (expense)	(31)	94	79	(117)	(660)	(847)	(3,775)
Depreciation & other	201	296	188	217	367	752	410
Taxes and other adjustments	55	5,218	256	325	20	1,777	0
Net Cash Flows from Operations	(3,807)	(7,856)	(9,010)	(12,687)	(13,009)	(14,237)	(39,583)
Capex and capitalised expenditures	(6)	(76)	(40)	(39)	(142)	(156)	(172)
Acquisitions/disposals	0	0	0	0	0	(390)	0
Interest received & other investing activities	0	0	0	0	0	0	0
Net Cash flows from Investing activities	(6)	(76)	(40)	(39)	(142)	(546)	(172)
Net proceeds from share issuances	6,980	26,338	287	102	10,583	27,000	0
Net movements in long-term debt	0	0	0	0	5,886	(7,110)	80,000
Dividends	0	0	0	0	0	0	0
Other financing activities	(888)	(215)	(528)	2,604	(464)	740	0
Net Cash flows from financing activities	6,092	26,123	(240)	2,706	16,004	20,630	80,000
Effects of FX on Cash & equivalents	0	0	0	0	0	0	0
Net Increase (Decrease) in Cash & equivalents	2,279	18,191	(9,291)	(10,020)	2,854	5,847	40,246
Cash & equivalents at beginning of period	403	2,682	20,873	11,582	1,562	4,415	10,262
Cash & equivalents at end of period	2,682	20,873	11,582	1,562	4,415	10,262	50,508
Closing net debt/(cash)	(2,682)	(20,873)	(11,582)	1,487	5,274	(5,561)	34,193
Lease debt	83	127	75	251	461	779	779
Closing net debt/(cash) inclusive of IFRS16 lease debt	(2,599)	(20,746)	(11,507)	1,737	5,735	(4,782)	34,973
Free cash flow	(3,813)	(7,932)	(9,051)	(12,726)	(13,151)	(14,783)	(39,754)

Source: Company accounts, Edison Investment Research

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