

MGC Pharmaceuticals Ltd

Pharmaceuticals

BUY

MXC A\$0.044

TARGET PRICE A\$0.09

MGC Pharmaceuticals Ltd (MXC) is a European based specialist medical cannabis biopharma company with many years of technical, clinical and commercial experience in the medical cannabis industry. MXC's founders were key figures in the global medical cannabis industry and the core business strategy is to be a global leader in phytocannabinoid-based medicine within the biopharmaceutical medical markets in Europe, Australasia and North America.

Company Data

Number of shares	1212.8M
Market Capitalisation	\$49.7 M
Free float (%)	77.74
12-month high/low	\$0.12/\$0.039
Average Daily Turnover (\$m)	0.469
% S&P/ASX200	0.001
DDM Ranking	N/A
% All Ordinaries	0.003
GICS Industry Group	Non-Energy

Source: FactSet, EverBlu Capital

Earnings Summary (AUD)

Year end June	2018A	2019F	2020F	2021F
Revenue (\$M)	0.3	10.2	17.3	20.3
EBITDA (\$M)	-8.5	3.6	9.3	11.7
Adjusted NPAT (\$M)	-8.9	3.2	8.5	10.9
Reported EPS (c)	-0.6	0.2	0.6	0.8
Adjusted EPS (c - FD)	-0.6	0.2	0.6	0.8
Adjusted EPS growth (%)	0.1	-1.4	1.6	0.3
Adjusted P/E (x)	-10.1	27.9	10.6	8.3
Dividend (c/sh)	-	-	0.1	0.6
Gross yield (%)	-	-	1.9	9.1
Net yield (%)	-	-	1.9	9.1
ROIC (%)	N/A	13.6	27.1	30.3

EverBlu Capital contributes all company estimates to Bloomberg, Thomson Reuters, FactSet, Nucleus195 and Capital IQ.

Share price performance



Source: FactSet, EverBlu Capital

'CannaHub' to launch in Q1FY19 in collaboration with RMIT, HUJ

On 14 November 2018, MGC Pharmaceuticals Ltd (MXC) announced the launch of a new international research hub, CannaHub, with the following highlights:

- Partnership agreement signed with the Royal Melbourne Institute of Technology (RMIT) and The Hebrew University of Jerusalem (HUJ) to create and launch 'CannaHub', an international research hub for medicinal cannabis and its future applications in the field of medicine and patient treatment;
- Project will formally launch in Q1 2019;
- Partner universities will be given the opportunity to share and participate in a ground-breaking medicinal cannabis research project focussed on the potential uses of cannabis as a treatment for a range of medical conditions;
- CannaHub's research projects will initially focus on the use of medicinal cannabis in:
 - The treatment of cancer;
 - The effectiveness of traditional and medicinal cannabis combination treatments; and
 - Drug delivery systems.
- CannaHub will act as MXC's primary research and new product development engine, supporting its seed-to-pharma business model through the innovation and development of new medicinal cannabis products and technologies;
- All findings, outcomes and conclusions remain the property of CannaHub partners MXC, RMIT and HUJ;
 - MXC holds the first right to use or acquire all data, technology, or findings generated from CannaHub with potential commercial applications.

Earnings Changes

The launch of CannaHub will pose further opportunities for MXC to innovate potentially new commercial applications of medicinal cannabis use. However, at this stage it is difficult to gauge the potential benefits of this program. Hence, at this stage we have made no significant earnings revisions.

We are updating our 12 month price target to \$0.09/share and retaining our BUY recommendation. The price target is underpinned by our DDM valuation.

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EverBlu Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the EverBlu team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or EverBlu Capital policies.

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The author Russell Wright made contact with MGC Pharmaceuticals Limited for the preparation of this report for the verification of facts.

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Speculative Buy	1.4%	(100.0% of stocks with recommendations are EverBlu clients)
Hold	27.0%	(0.0% of stocks with recommendations are EverBlu clients)
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