Baptista Research

February 16, 2023

INITIATING COVERAGE

Equity | Healthcare/ Pharma & Biotech

# OKYO Pharma Inc.
# (NASDAQ:OKYO; Target Price: $10.0)

Investing in clinical stage biopharma companies has become a challenging prospect for investors, given the high stakes associated with clinical trials and the absence of revenue-generating products. Such businesses are particularly vulnerable during difficult market conditions, as investors become more risk averse. In this context, due diligence is especially critical for potential investors seeking to identify biopharma companies with promising drug candidates. One such biopharma player worth investigating is OKYO Pharma, which has two promising drug candidates in the ophthalmology space, with one on the verge of entering Phase 2 clinical trials. Despite the challenging market conditions for biopharma companies, OKYO Pharma presents an exciting opportunity for investors seeking to identify high-potential clinical stage biopharma businesses.

**Key Report Highlights**

| | |
|---|---|
| Industry View: | Attractive |
| Stock Rating: | Buy |
| Price Target: | $10.00 |
| Current Price: | $2.21 |
| 52-Week-Range: | $1.61 - $3.02 |

| Annual Income Statement | 2021 | 2022E | 2023E |
|---|---|---|---|
| Revenues | 0.00 | 0.00 | 15.00 |
| Cost of Goods Sold | -7.10 | -7.24 | -7.38 |
| Gross Income (excl. D&A) | -7.10 | -7.24 | 7.62 |
| EBITDA | -8.30 | -8.44 | 6.42 |
| EBIT (incl. extraordinary exp) | -8.30 | -8.44 | 6.42 |
| Net Income | -8.10 | -8.24 | 6.62 |
| Cash from Operations | -6.89 | -7.01 | 5.33 |
| Free Cash Flows | -6.89 | -7.01 | 5.33 |

| Growth & Margins | 2021 | 2022E | 2023E |
|---|---|---|---|
| Sales Growth | NA | NA | NA |
| EBITDA Margin | NA | NA | 42.8% |
| EBIT Margin | NA | NA | 42.8% |
| Net Profit Margin | NA | NA | 44.1% |

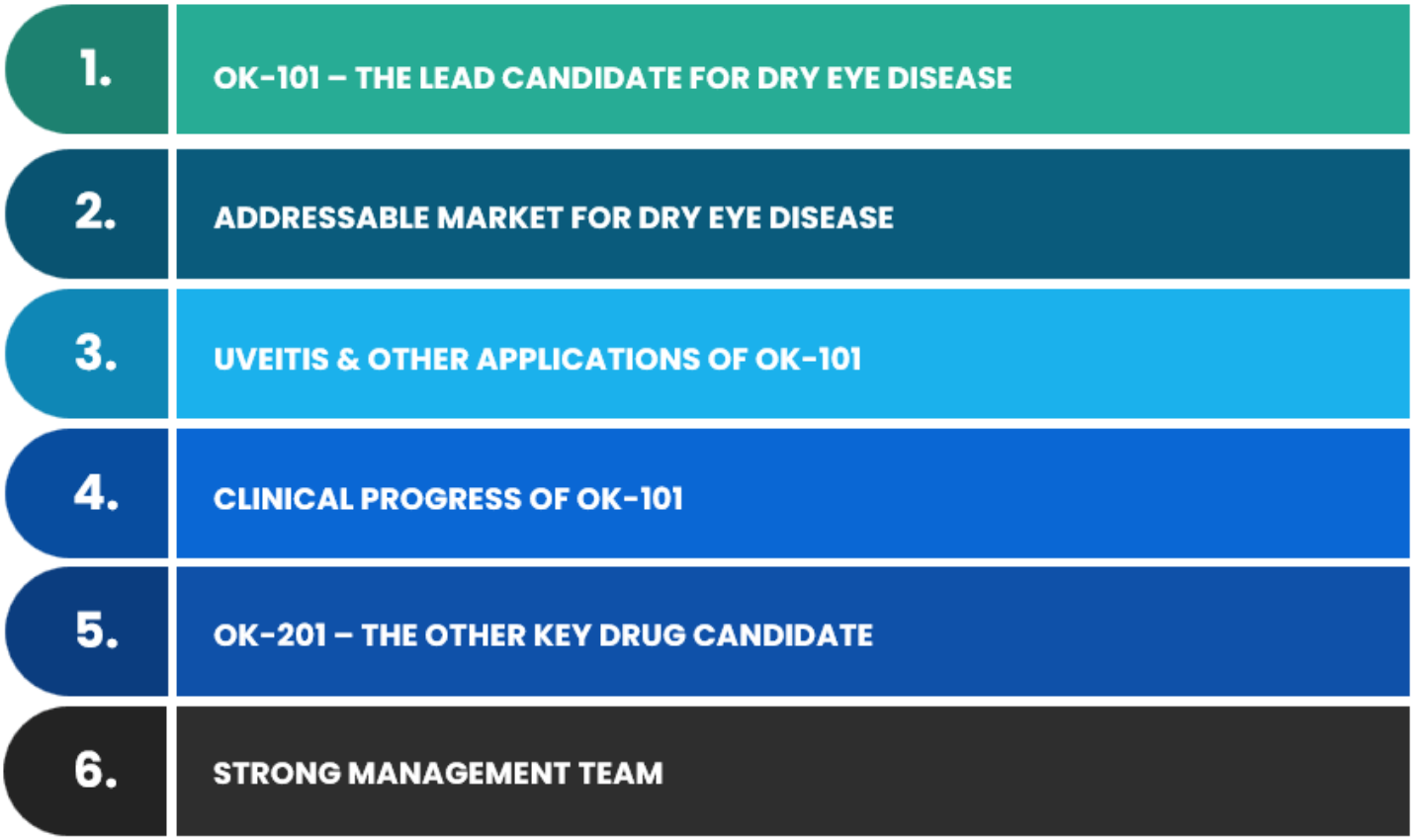
## INVESTMENT THESIS

This is a special one-time report on OKYO Pharma and we look to provide a detailed account of the various drivers that will be responsible for the company's growth in the coming years. It is obviously very difficult to value the company now given its lack of revenues. However, it should be emphasised that OKYO Pharma now has enough funding on hand to successfully complete the Phase 2 studies of OK-101. Eventually, the company could easily become an acquisition target for pharma majors like Regeneron Pharmaceuticals, Novartis, AbbVie, and other top manufacturers of ophthalmology medications. Given the sizable addressable market that OKYO Pharma serves, we believe that it could be an acquisition play and a successful Phase 2 could easily assist investors at present levels earn 3x–4x returns. Overall, we are optimistic about OKYO Pharma and we believe that it is an excellent investment opportunity for biopharma investors. Baptista Research looks to evaluate the different factors that could influence OKYO Pharma's price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

## COMPANY OVERVIEW

OKYO Pharma is a preclinical biopharmaceutical company that is dedicated to the research and development of drugs for eye conditions. The company is working to develop remedies for those with inflammatory eye conditions and eye pain. OKYO's lead drug candidate, OK-101, is currently being developed with the goal of treating dry eye disease (DED). The management also has a back-up molecule in the form of the OK-201, a lipidated-peptide analogue candidate developed from the bovine adrenal medulla, to treat neuropathic ocular pain. OKYO Pharma was founded there in 2007 and is headquartered in London, UK.

## KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE




### OK-101 – The Lead Candidate For Dry Eye Disease

- OKYO Pharma's lead candidate that is on the cusp of Phase II of clinical trials is the OK-101, a treatment for DED (dry eye disease) and has a strong potential to lessen inflammation and neuropathic pain.
- The lipidated-chemerin analogue OK-101 from OKYO Pharma targets the chemerin receptor (CMKLR1), which is expressed on a few different cell types, including neurons and inflammatory mediators.
- In mice models of acute DED, OK-101 showed promise in lowering corneal permeability and suppressing immune response. Its development was based on membrane-tethered ligand technology.
- In a mouse model of corneal neuropathic pain using ciliary nerve ligation, OK-101 likewise showed strong ocular pain-reducing efficacy.
- Tests of rabbit ocular tolerance revealed no unfavourable symptoms of local inflammation or irritability.

### Large Addressable Market For Dy Eye Disease


*Source: Company Presentation*

- Dry eye disease (DED), also known as keratoconjunctivitis sicca, is a multifactorial condition that is characterized by the absence of lubrication and moisture in the eye, which results in discomfort, irritation, and inflammation.

- DED affects over 20 million people in the United States alone, and it is anticipated that this number will rise over the next 10 to 20 years. As per the company filings, the estimated size of the global DED market in 2019 was $5.22 billion, and by 2027, it is anticipated to grow to $6.54 billion.

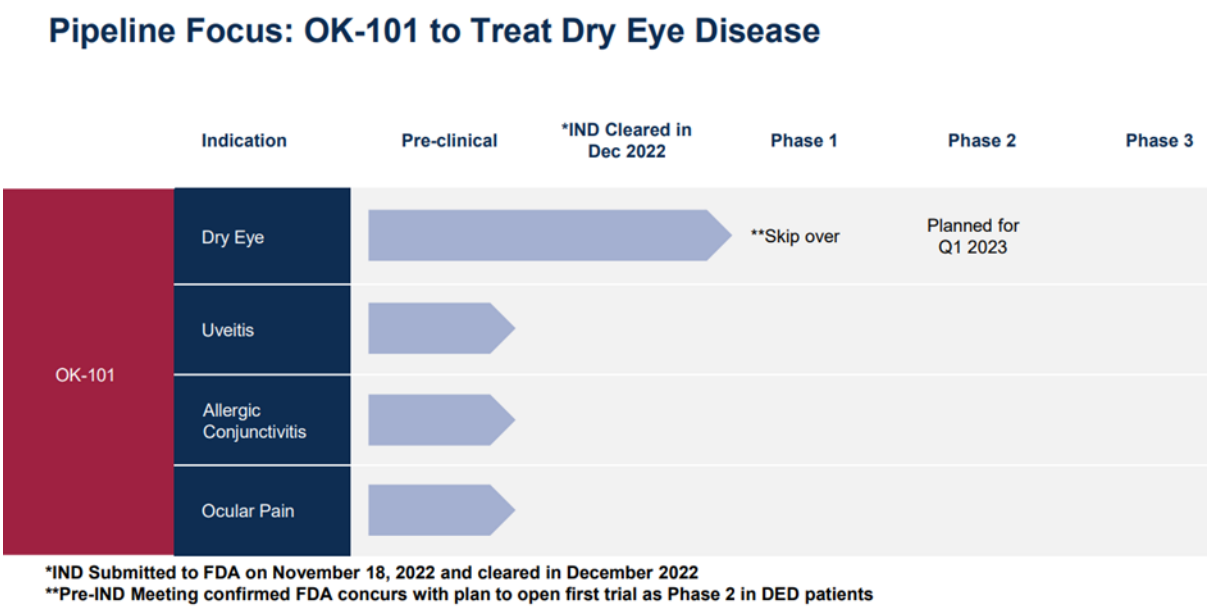
- Despite the existence of five prescription medications, DED remains a serious unmet medical need, and many patients do not respond favourably to existing therapies.

- The variable character of the patient population and the difficulty in establishing improvement in carefully controlled clinical trials have made the development of new medications to treat DED hard.

- However, evidence points to inflammation as the fundamental component of DED, making the development of novel therapeutic drugs that specifically target inflammatory pathways an appealing strategy.

- DED still has a significant unmet medical need, and the current, approved treatments are not always well-tolerated by patients. This presents a multi-billion-dollar market opportunity for a medicine with few adverse effects like the OK-101 that OKYO is looking to offer.

**Uveitis & Other Applications Of OK-101**




*Source: Company Presentation*

- The chemerin-based technology of OKYO Pharma has uveitis as one of its target indications. OKYO Pharma is targeting uveitis, a disease that causes inflammation of the iris and is the third leading cause of blindness globally, as one of its ophthalmic indications for its chemerin-based technology.

- Currently, uveitis is treated with corticosteroid eye drops and injections, but the long-term use of these treatments can result in increased risk of cataracts and glaucoma.

- OKYO Pharma plans to evaluate the drug candidate OK-101 to suppress the inflammation associated with uveitis in clinical trials once it has completed trials for the treatment of dry eye.

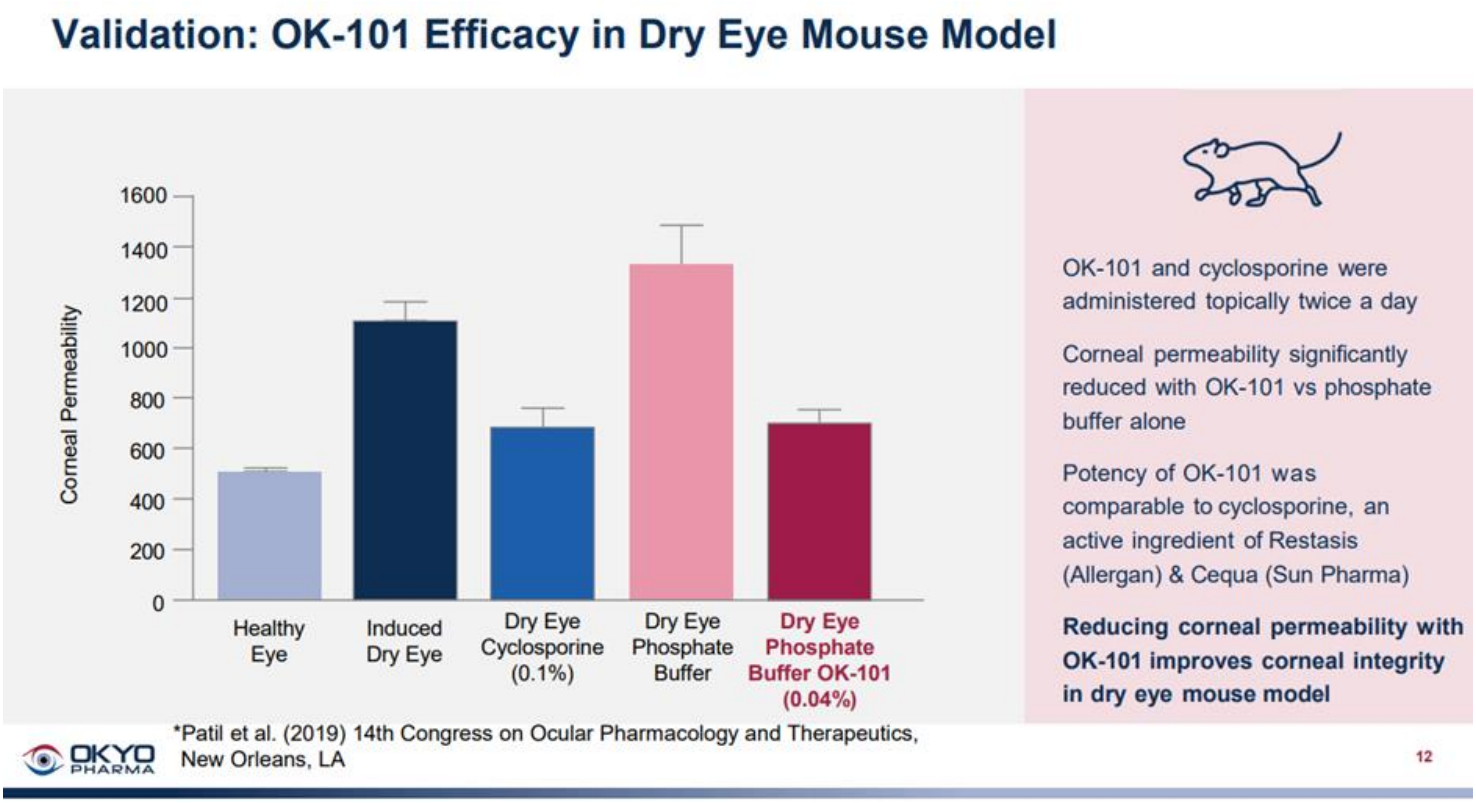
- The company also plans to undertake preclinical development of OK-101 for the uveitis indication by first establishing "proof-of-concept" in animal model studies.

- The company is also targeting allergic conjunctivitis, a condition caused by an allergic reaction that affects about 20% of the global population, as another ophthalmic indication for its chemerin-based technology.

- Despite the availability of effective drugs for the treatment of ocular allergies, about one third of patients do not respond adequately to currently marketed drugs.

- OKYO Pharma plans to conduct "proof-of-concept" studies using OK-101 for the treatment of chronic and seasonal allergic conjunctivitis in a conjunctival allergen challenge animal model to investigate the potential of OK-101 to suppress the inflammation associated with this condition.

**Clinical Trials Progress Of OK-101**



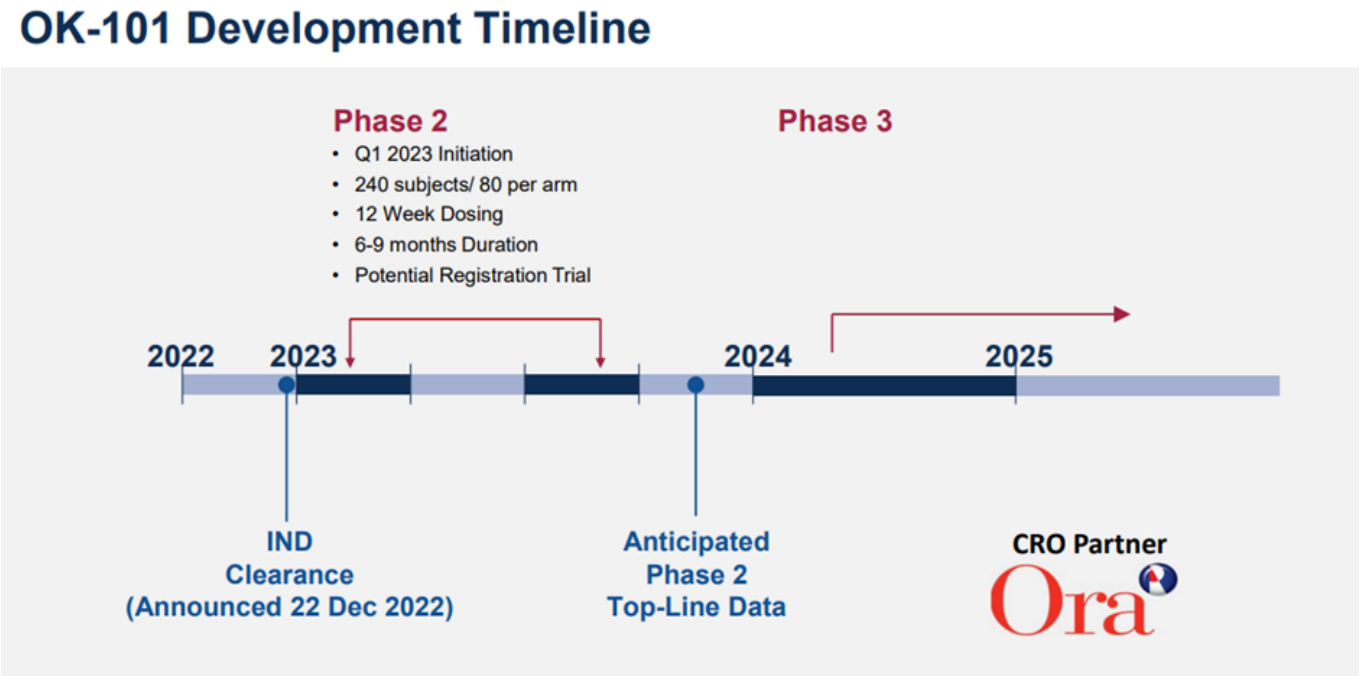

*Source: Company Presentation*

- OKYO Pharma has already submitted and received clearance for its IND (Investigational New Drug) application for OK-101 with respect to DED with the help of AmbioPharm playing a significant role in peptide manufacture and development.

- Using cutting-edge membrane-anchored peptide (MAP) technology, OKYO created OK-101, a lipid-peptide analogue. The drug comprises a 12 amino acid peptide sequence, a linking element, and a lipid domain that lengthens the medication's duration in the eye.

- The strength of the medicine is increased and the substance is not washed out as a result of this innovative design. In animal models of DED, OK-101 has demonstrated potent anti-inflammatory benefits.

- It has also lessened corneal neuropathic pain in an animal model of ciliary nerve ligation. OK-101 has significant potential because inflammation is thought to be a major contributor to the disease and because pain and inflammation are the two main symptoms of DED.




*Source: Company Presentation*

- The drug has a chance to launch rapidly because its Phase 2 study can double as a Phase 3 registration trial, allowing it to skip a Phase 1 trial because it is applied topically.

- Animal studies have not revealed any negative consequences which is a positive sign. The FDA and OKYO have had a fruitful pre-IND meeting in the first quarter of 2022, and the FDA approved of OKYO's proposal to designate co-primary efficacy endpoints for DED in the next Phase 2 trial.

- This trial, which is intended to serve as a Phase 3 registration trial, would speed up the process for submitting a new medication application if it is successful (NDA).

- Peptide synthesis and development are being provided to the OK-101 programme by AmbioPharm, a company that specialises in the contract development and production of peptides. Its support is crucial in OKYO's efforts to advance OK-101 forward.

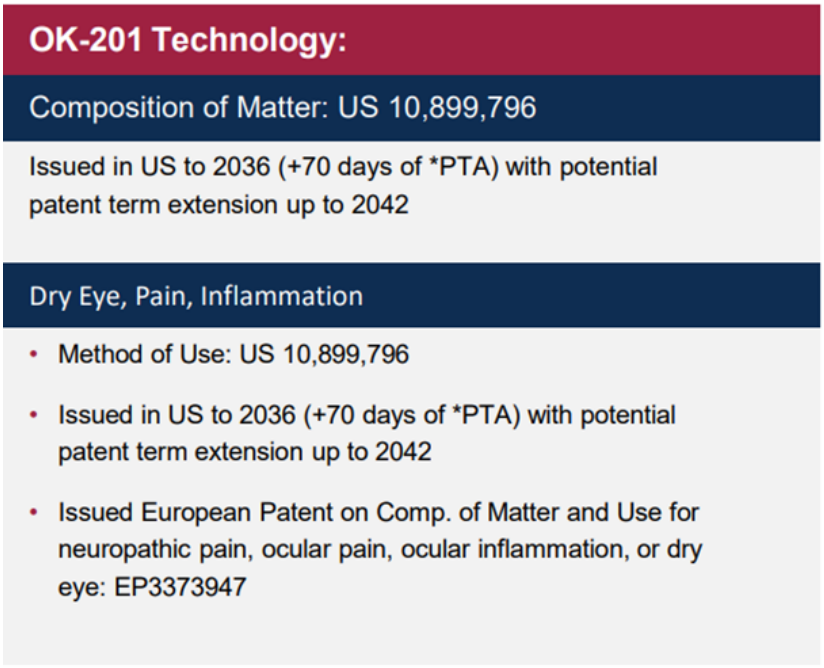
### OK-201 – The Other Key Drug Candidate

- Along with OK-101, OKYO Pharma has created OK-201, a promising therapeutic candidate for the treatment of neuropathic and inflammatory pain.

- Currently, treatments for corneal pain are limited to short-term NSAIDs, steroids, and oral gabapentin and opioids in severe cases.

- OKYO Pharma obtained a license agreement from Tufts Medical Center for the right to utilize all the intellectual property claimed in patent application PCT/US2016/0611101 'Lipidated BAM8-22 and methods of using same', including claims covering composition-of-matter and methodology for treating symptoms of neuropathic chronic pain, ocular pain, and uveitis-associated pain.

- The company then started an initiative to investigate BAM8-22 analogs that may alleviate inflammation and neuropathic pain.




*Source: Company Presentation*

- The lead compound from the license agreement with Tufts Medical Center, OK-201, was the focus of OKYO Pharma's initial efforts to develop a lipidated BAM8-22 analogue to treat neuropathic pain.

- Eventually, the company signed a collaborative agreement with Tufts Medical Center and Pedram Hamrah, MD, Professor of Ophthalmology at Tufts University School of Medicine to evaluate the company's BAM8-22 analogues, including OK-201, as non-opioid analgesics to suppress corneal neuropathic pain using a mouse ocular pain model developed in Dr. Hamrah's laboratory.

- The company announced positive results of OK-201, a non-opioid analgesic drug candidate delivered topically, in Dr. Hamrah's mouse neuropathic corneal pain model, as a potential drug to treat acute and chronic ocular pain.

- Importantly, OK-201 showed a reduced corneal pain response that was equivalent to that of gabapentin, a commonly used oral drug for neuropathic pain.

- These findings demonstrated preclinical proof-of-concept for the topical administration of OK-201 as a potential non-opioid analgesic for ocular pain.

- Despite the encouraging results with OK-201, OKYO Pharma decided to maintain this drug candidate at the exploratory level due to subsequent success obtained with OK-101 in follow-on animal model studies utilizing the same mouse neuropathic corneal pain model as for OK-201.

- As a result, the company is focusing its primary energy on the OK-101 program to treat DED, based on OK-101's combination of anti-inflammatory and ocular pain-reducing activities in animal models of these conditions.

**Experienced Management Team**


*Source: Company Presentation*

- OKYO Pharma is spearheaded by Dr. Gary S. Jacob who has served as the CEO and a director of the company since January 2021.

- Prior to joining OKYO Pharma, Dr. Jacob held several senior positions in the pharmaceutical and biotechnology industries, including serving as the CEO of Immuron Limited and President and CEO of Synergy Pharmaceuticals Inc.

- He happens to be the co-inventor of the FDA-approved drug Trulance® and has over 35 years of experience in research and development, operations, and business development.

- Dr. Raj Patil has been the Chief Scientific Officer of OKYO Pharma since March 2021. With over 30 years of experience in ophthalmic drug development, Dr. Patil previously worked in companies such as Alcon Novartis and also served as Vice President of Research & Development at Ora and at iVeena Delivery Systems.

- He has held several leadership roles in research and has published over 50 peer-reviewed articles.

- The company's CFO is Keeren Shah, who has held this position since August 2020. With over a decade of experience at Visa Inc., Ms. Shah is also the Finance Director of Tiziana Life Sciences Limited, Accustem Sciences Limited, and Rasna Therapeutics Inc.

- Apart from these, OKYO Pharma's other key management personnel include Gabriele Cerone (non-executive Chairman), Willy Simon (non-executive Director), John Brancaccio (non-executive Director), and Bernard Denoyer (non-executive Director).

- Overall, it is safe to say that the reins of the company are in the hands of a highly experienced management team.

## HISTORICAL FINANCIAL STATEMENTS

| Particulars | 12/31/21 | 3/31/22 | 6/30/22 | 9/30/22 |
|---|---|---|---|---|
| Revenues | 0.0 | 0.0 | 0.0 | 0.0 |
| Cost of Goods Sold | -1.3 | -1.3 | -1.5 | -1.4 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Gross Income (excl. D&A) | -1.3 | -1.3 | -1.5 | -1.4 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| EBITDA | -1.7 | -1.7 | -2.8 | -2.5 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Depreciation & Amortization | 0.0 | 0.0 | 0.0 | 0.0 |
| *% of Fixed Assets* | *-1.0* | *-1.0* | *0.0* | *0.0* |
| Extraordinary Expenses | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT (incl. extraordinary exp) | -1.8 | -1.7 | -2.8 | -2.5 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Pretax Income | -1.8 | -1.7 | -2.8 | -2.5 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Income Tax | -0.3 | -0.3 | 0.0 | 0.0 |
| *% rate* | *17.1%* | *17.1%* | *0.0%* | *0.0%* |
| Net Income | -1.5 | -1.4 | -2.8 | -2.5 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- Its EBITDA for the quarter was $-2.54 million. OKYO's operating income (EBIT) was reported at $-2.54 million.
- OKYO reported a net income of $-2.54 million which resulted in a negative diluted earnings per share (EPS).
- OKYO burnt $-1.62 million in terms of operating cash flows for the quarter ended 9/30/22.
- This quarter's EBITDA-to-operating cash flow conversion ratio is 63.78%.
- Overall, OKYO delivered a negative free cash flow of $1.62 million for the past quarter.

| **Balance Sheet** | **12/31/21** | **3/31/22** | **6/30/22** | **9/30/22** |
|---|---|---|---|---|
| **Assets** | | | | |
| Net Intangible Fixed Assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Tangible Fixed Assets | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Fixed Assets** | **0.0** | **0.0** | **0.0** | **0.0** |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| LT Investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Inventories | 0.0 | 0.0 | 0.0 | 0.0 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Accounts Receivable | 0.9 | 0.9 | 0.6 | 0.5 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |

| | | | | |
|---|---|---|---|---|
| Cash and ST Investments | 2.8 | 2.7 | 0.8 | 0.7 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Other Current Assets | 0.7 | 0.7 | 0.6 | 0.5 |
| **Total Current Assets** | **4.4** | **4.3** | **1.9** | **1.8** |
| | | | | |
| Other Assets | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | |
| **Total Assets** | **4.4** | **4.3** | **1.9** | **1.8** |
| | | | | |
| **Liabilities & Shareholder's Equity** | | | | |
| Equity & Minorities | 3.0 | 3.0 | -0.4 | -0.4 |
| *% of capital employed* | *1.0* | *1.0* | *1.0* | *1.0* |
| | | | | |
| LT Debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Other LT Liabilities | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total LT Liabilities** | **0.0** | **0.0** | **0.0** | **0.0** |
| *% of capital employed* | *0.0* | *0.0* | *0.0* | *0.0* |
| | | | | |
| ST Debt | 0.0 | 0.0 | 0.0 | 0.0 |
| *% of capital employed* | *0.0* | *0.0* | *0.0* | *0.0* |
| Accounts Payable | 0.8 | 0.7 | 1.7 | 1.5 |
| *% of COGS* | *NA* | *NA* | *NA* | *NA* |

| | | | | |
|---|---|---|---|---|
| Other ST Liabilities | 0.6 | 0.6 | 0.7 | 0.6 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| **Total Current Liabilities** | **1.4** | **1.4** | **2.3** | **2.1** |
| **Total Liabilities** | **1.4** | **1.4** | **2.3** | **2.1** |
| **Total Liabilities & Shareholder's Equity** | **4.4** | **4.3** | **1.9** | **1.8** |

- When we look at the quarterly Balance Sheet of the company, we see that the Fixed Asset base has evolved from $0.01 million to $0.01 million over the last 2 quarters.
- The current level of fixed assets, including tangibles & intangibles, is around NA of the company's quarterly turnover.
- As a result of the negative free cash flows, the company had a final cash and short-term investment balance of $0.71 million.
- When we analyze the capital structure of OKYO, we realize that the company relies more on equity to finance its operations.
- The company's equity accounts for 100.00% of its total capital employed whereas debt (both long-term and short-term) accounts for about 0.00% of the total capital.

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| **Particulars** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|
| Revenues | 0.0 | 0.0 | 0.0 | 0.0 |
| *% growth* | | *NA* | *NA* | *NA* |
| Cost of Goods Sold | -1.5 | -1.0 | -3.4 | -4.7 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Gross Income (excl. D&A) | -1.5 | -1.0 | -3.4 | -4.7 |

| | | | | |
|---|---|---|---|---|
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| EBITDA | -4.5 | -1.5 | -3.6 | -6.0 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Depreciation & Amortization | 0.0 | 0.0 | 0.0 | 0.0 |
| *% of Fixed Assets* | *NA* | *0.3* | *0.1* | *0.0* |
| Extraordinary Expenses | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT (incl. extraordinary exp) | -4.5 | -1.5 | -3.6 | -6.0 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Pretax Income | -4.9 | -1.6 | -3.6 | -6.0 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Income Tax | 0.0 | -0.1 | 0.0 | -0.8 |
| *% rate* | *0.0* | *0.0* | *0.0* | *0.1* |
| Net Income | -4.9 | -1.5 | -3.5 | -5.2 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |

| **Particulars** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|
| **Assets** | | | | |
| Net Intangible Fixed Assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Tangible Fixed Assets | 0.0 | 0.0 | 0.1 | 0.0 |
| **Total Fixed Assets** | **0.0** | **0.0** | **0.1** | **0.0** |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |

| | | | | |
|---|---|---|---|---|
| LT Investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Inventories | 0.0 | 0.0 | 0.0 | 0.0 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Accounts Receivable | 0.1 | 0.3 | 0.1 | 0.9 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Cash and ST Investments | 0.6 | 0.2 | 6.9 | 2.7 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* |
| Other Current Assets | 0.0 | 0.0 | 0.0 | 0.7 |
| **Total Current Assets** | **0.8** | **0.6** | **7.0** | **4.3** |
| Other Assets | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Assets** | **0.8** | **0.6** | **7.1** | **4.3** |
| **Liabilities & Shareholder's Equity** | | | | |
| Equity & Minorities | 0.3 | -0.1 | 5.3 | 3.0 |
| LT Debt | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | |
|---|---|---|---|---|
| Other LT Liabilities | 0.0 | 0.0 | 0.1 | 0.0 |
| **Total LT Liabilities** | **0.0** | **0.0** | **0.1** | **0.0** |
| ST Debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounts Payable | 0.4 | 0.6 | 0.2 | 0.7 |
| *% of COGS* | *NA* | *NA* | *NA* | *NA* |
| Other ST Liabilities | 0.1 | 0.1 | 1.5 | 0.6 |
| **Total Current Liabilities** | **0.4** | **0.7** | **1.7** | **1.4** |
| **Total Liabilities** | **0.4** | **0.7** | **1.8** | **1.4** |
| **Total Liabilities & Shareholder's Equity** | **0.8** | **0.6** | **7.1** | **4.3** |

| **Particulars** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|
| Net Income (GAAP) | -4.9 | -1.5 | -3.5 | -5.2 |
| + Depreciation & Amortization | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | |
|---|---|---|---|---|
| +/- Working Capital, Deferred Taxes & Other Adjustments | 2.9 | 0.3 | 1.8 | 0.0 |
| **Cash Flow from Operations** | **-2.0** | **-1.2** | **-1.7** | **-5.2** |
| *% of EBITDA* | *0.4* | *0.8* | *0.5* | *0.9* |
| Capital Expenditure | 0.0 | 0.0 | 0.0 | 0.0 |
| *% of revenues* | *NA* | *NA* | *NA* | *NA* |
| Other Investment Cash Flow items | 0.0 | -0.1 | 0.0 | 0.0 |
| **Cash Flow from Investments** | **0.0** | **-0.1** | **0.0** | **0.0** |
| **Free Cash Flow** | **-2.0** | **-1.2** | **-1.7** | **-5.2** |
| *% of EBITDA* | *0.4* | *0.8* | *0.5* | *0.9* |
| **Cash Flow from Financing** | **0.0** | **1.0** | **8.4** | **1.4** |

- OKYO's Cash Flow from Operations as a % of EBITDA went up which is a good sign.
- The company delivered a negative free cash flow of $-5.23 million in 2022.
- It was able to convert about 87.46% into free cash flows which was higher than the previous financial year.
- OKYO reported $1.37 million as Cash Flow from Financing for 2022 which was lower than the previous year.

## VALUATION & PROJECTIONS

- OKYO is a zero-revenue company with a 100% focus on spending the funds raised for drug development which is what makes it difficult to value.
- There is a very good chance the company will not look to commercialize the drug itself and most probably, sell its research to a large pharma which makes it an acquisition target.
- We have done a 3-year forecast of the company's financials below. However, we believe that OKYO's valuation is largely stemming from the market size of dry eye disease.
- For the sake of the valuation, we are only considering the application of OK-101 for dy eye disease. We are not factoring the value of its other applications as well as the potential of OK-201. That could be an additional upside.
- The dry eye disease market across the globe already over $5 billion and should be over $6 billion in the next 5 years. In the event of being acquired by a large pharma, there is a chance that the acquirer would assume a reasonable 5% market capture using OK-101 which would imply a revenue of $300 million.
- If we apply a reasonable valuation multiple of 2x and a huge discounting factor of over 30% given the high risk associated with the investment, OKYO's current market value would easily come to around $200 million which would imply a valuation of $10 per share.

| Particulars | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|
| Revenues | 0.00 | 0.00 | 0.00 | 0.00 | 15.00 |
| Cost of Goods Sold | -3.36 | -4.73 | -7.10 | -7.24 | -7.38 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* | *-0.49* |

| | | | | | |
|---|---|---|---|---|---|
| Gross Income (excl. D&A) | -3.36 | -4.73 | -7.10 | -7.24 | 7.62 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* | *0.51* |
| EBITDA | -3.55 | -5.98 | -8.30 | -8.44 | 6.42 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* | *0.43* |
| Depreciation & Amortization | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| EBIT | -3.55 | -5.98 | -8.30 | -8.44 | 6.42 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* | *0.43* |
| EBT (GAAP) | -3.56 | -5.98 | -8.30 | -8.44 | 6.42 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* | *0.43* |
| Net Income (GAAP) | -3.53 | -5.22 | -8.10 | -8.24 | 6.62 |
| *% of revenue* | *NA* | *NA* | *NA* | *NA* | *0.44* |
| Earnings Per Share (GAAP) | 4.22 | -5.52 | -0.67 | -0.01 | 0.00 |

| **Particulars** | **2021** | **2022** | **2023E** | **2024E** | **2025E** |
|---|---|---|---|---|---|
| Net Income (GAAP) | -3.5 | -5.2 | -8.1 | -8.2 | 6.6 |
| + Depreciation & Amortization | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| +/- Working Capital, Deferred Taxes & Other Adjustments | 1.8 | 0.0 | 1.2 | 1.2 | -1.3 |
| **Cash Flow from Operations** | **-1.7** | **-5.2** | **-6.9** | **-7.0** | **5.3** |
| *% of EBITDA* | *48.5%* | *87.5%* | *83.1%* | *83.1%* | *83.1%* |

| | | | | | |
|---|---|---|---|---|---|
| Capital Expenditure | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *% of revenues* | *NA* | *NA* | *NA* | *NA* | *NA* |
| Other Investment Cash Flow items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Cash Flow after Investments** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Free Cash Flow** | **-1.7** | **-5.2** | **-6.9** | **-7.0** | **5.3** |

| **Growth & Margins** | **2021** | **2022** | **2023E** | **2024E** | **2025E** |
|---|---|---|---|---|---|
| Sales Growth | NA | NA | NA | NA | NA |
| EBITDA Margin | NA | NA | NA | NA | 42.8% |
| EBIT Margin | NA | NA | NA | NA | 42.8% |
| Net Profit Margin | NA | NA | NA | NA | 44.1% |

| **Leverage Ratios** | **2021** | **2022** | **2023E** | **2024E** | **2025E** |
|---|---|---|---|---|---|
| Net Debt | -7 | -3 | 4,320 | 3,494 | 2,511 |
| Net Debt/ Equity | -1.3 | -0.9 | | | |
| Net Debt/ EBITDA | NA | NA | -520.8 | -414.1 | 391.3 |

- Now let us move on to Baptista Research's forecasts for OKYO Pharma's income statement and cash flows.
- Overall, the company is expected to generate free cash flows to the tune of $-6.89192433110368 million in 2023.

## KEY RISKS

- It is important to highlight the key risks associated with an investment in OKYO Pharma Holdings as well as the inherent risks associated with the financial projections and price forecasts presented in this report.

- One significantly risk associated with OKYO Pharma is that it is a development stage company that has no products approved for commercial sale, never generated any revenues and may never achieve revenues or profitability. Currently, the company has no products approved for commercial sale and, to date, it has not generated any revenues. Its ability to generate revenue depends heavily on its ability to seek and obtain regulatory approvals, including with respect to the indications they are seeking; the successful commercialization of its product candidates, and market acceptance of its products. It is likely that OKYO Pharma will need to raise substantial additional capital in the future to fund operations and it may be unable to raise such funds when needed and on acceptable terms

- The clinical trials process for pharmaceutical products is a time-consuming process, subject to a number of factors, many of which are outside of its control. Moreover, the management must comply with significant and complex government regulations, compliance with which may delay or prevent the commercialization of its drug candidates.

- Clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials nonetheless failed to obtain FDA approval. If OKYO Pharma fails to produce positive results in its clinical trials, the development timeline and regulatory approval and commercialization prospects for its products, and, correspondingly, its business and financial prospects, would be materially adversely affected.

- With respect to our price projection, we would like to clarify that the valuation of OKYO Pharma Holdings in this report is specific to the date of the analysis i.e. 16-02-2023.

- Another one of the biggest risks to OKYO Pharma Holdings' model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of OKYO Pharma Holdings in this report is specific to the date of the analysis i.e. 16th February 2023.

- We must emphasize that the projected valuation and the share price of OKYO Pharma Holdings are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

## ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

## ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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