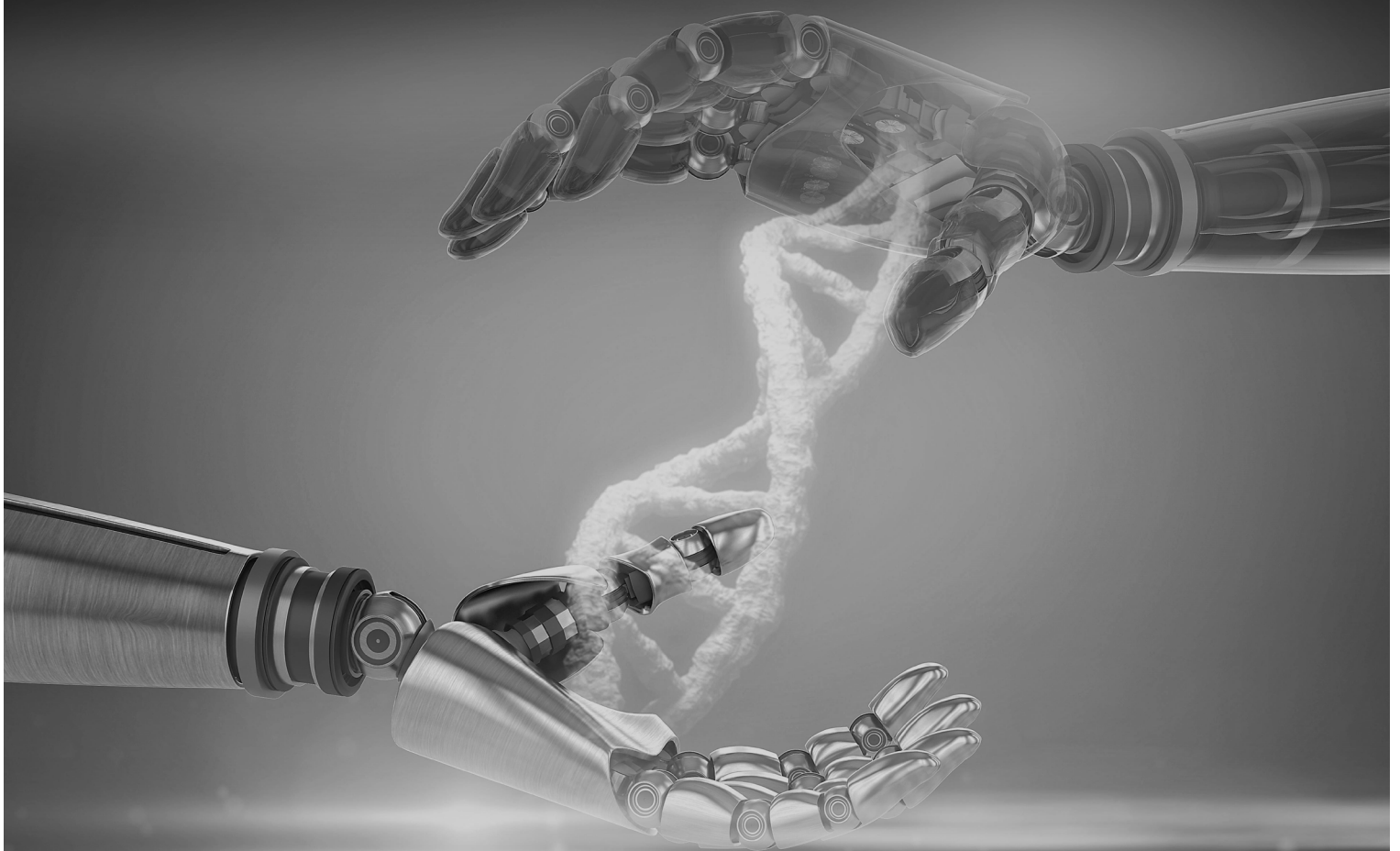




# Emerging Stocks Down Under

“ *Cannabis is the single most versatile herbal remedy, and the most useful plant on Earth.* ”

- Ethan Russo (b. 1952), Neurologist, psychopharmacology researcher and author.



**EMYRIA**

If this company can't release a Schedule 3 product, no one will

# EMYRIA

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Stocks Down Under rating: ★★☆☆

ASX: EMD  
Market cap: A\$49.5M

52-week range: A\$0.16 / A\$0.50  
Share price: A\$0.18

If you thought cryptocurrencies were volatile, you haven't heard of the cannabis sector. It has been through several booms and busts over the past few years, mostly booming when certain regulations are removed then gradually declining when it doesn't turn out to be just like the easing of Prohibition. The latest regulation removed was the TGA's declassification of certain CBD products, allowing them to be sold in pharmacies. We think Emyria is on course to be one of the first companies to capitalise on this change, which is yet to be seen by investors.

## Share price chart



Source: Tradingview

## Cannabis investors haven't held their horses

Emyria listed in February 2020 when it was known as Emerald Clinics in accordance with its business model at the time. It had a network of medical clinics and it made money from selling data that could be used to evaluate the safety and efficiency of cannabinoid medicines. It timed its listing poorly, not just because of the forthcoming Corona Crash, but it was a poor time for cannabis stocks even before the crash, due to an oversupply in the market. Cannabis stocks and their investors got 'high' after Canada's legalisation of recreational cannabis in 2018, but the market was oversupplied.

History repeated itself in late 2020 when Australia's regulator, the Therapeutic Goods Administration (TGA), relaxed regulations on CBD products. It declassified certain low-dose pills and oils to Schedule 3 products, meaning they could be sold in Australian pharmacies without a prescription. Investors sent many cannabis companies higher, only to sell off these companies when the boom didn't exactly pan out as they were expecting. They thought it would be similar to the ending of Prohibition, in that we would see an avalanche of products hit the shelves very fast.

But of course, here we are in 2022, and you can't still find CBD products without a prescription. Even though you can in theory, you cannot in practice. The harsh reality is that any Schedule 3 product (cannabis based or not) needs to still go through a clinical trial and the regulatory submission process. And before you even start a clinical trial, a company has to decide what condition it is going to target, the right dosage, the clinical trial metrics and it has to obtain ethics approval.

On top of this, a company is limited to conditions and symptoms that can be easily self-recognised and managed by a pharmacist. Unfortunately, many of the health problems patients using CBD products for (ranging from arthritis to autism) did not fall in this category.

## **Emyria has stuck at it**

At first glance, you might think it would be a good thing for Emyria if patients needing medicinal cannabis have to go through medical practitioners. But since listing, Emyria has pivoted its operations and is trying to get a CBD product of its own approved. Its flagship asset is EMD-RX5, which is a CBD capsule aimed at treating symptoms of psychological distress. This is a condition that affects 15% of the adult population but has no OTC treatment available.

In April 2022, Emyria received positive Phase I trial data depicting that EMD-RX5 was safe, provided more predictable drug exposure over time and had twice the bioavailability compared to other plant-derived CBD products. EMD-RX5 has since advanced to a pivotal Phase III trial where we'll know if the drug works or not. These results are expected by the end of this calendar year.

It also has EMD-RX7, another CBD based capsule that will begin production for Phase 1 trials in the next quarter. The company is able to conduct clinical trials faster because of the real-world data it obtained from its former life as a cannabis data company, in its own clinics and also through a partnership it has with the University of Western Australia. Another exciting thing for investors is that it is 5%-owned by Tattarang, Andrew Forrest's private investment vehicle. Another 27% is owned by the company's directors.

## **First in line to get a CBD product to shelves**

Because Emyria is at Phase III, we think it is unlikely anyone else will get a CBD product to pharmacy shelves before EMD does. Whether Emyria is the first company or not, there's little doubt that the 'first mover' will have a significant advantage. Yes, it will raise awareness for the whole sector, but others will have to play catch-up. Remember that the market is growing substantially even with most products only available through other Schedules. Freshleaf Analytics estimated that revenue from product sales for 2021 was \$230m and active patient numbers were roughly 100,000.

Obviously, there is the risk that EMD-RX5 doesn't pass the clinical trial, a potential tragedy that would literally strike a dagger into the heart of the company. Another risk we note is that its cash balance is only \$6.6m, making it inevitable that, regardless of what happens in the current trial, a dilutive capital raising will be needed soon.

But as we noted above, this company is the most advanced of its peers in getting a CBD product to pharmacy shelves, which is why we're giving Emyria four stars. We're not saying this company is certain to make it. But if it doesn't make it, it is difficult to see anyone else doing so – at least anytime soon.



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