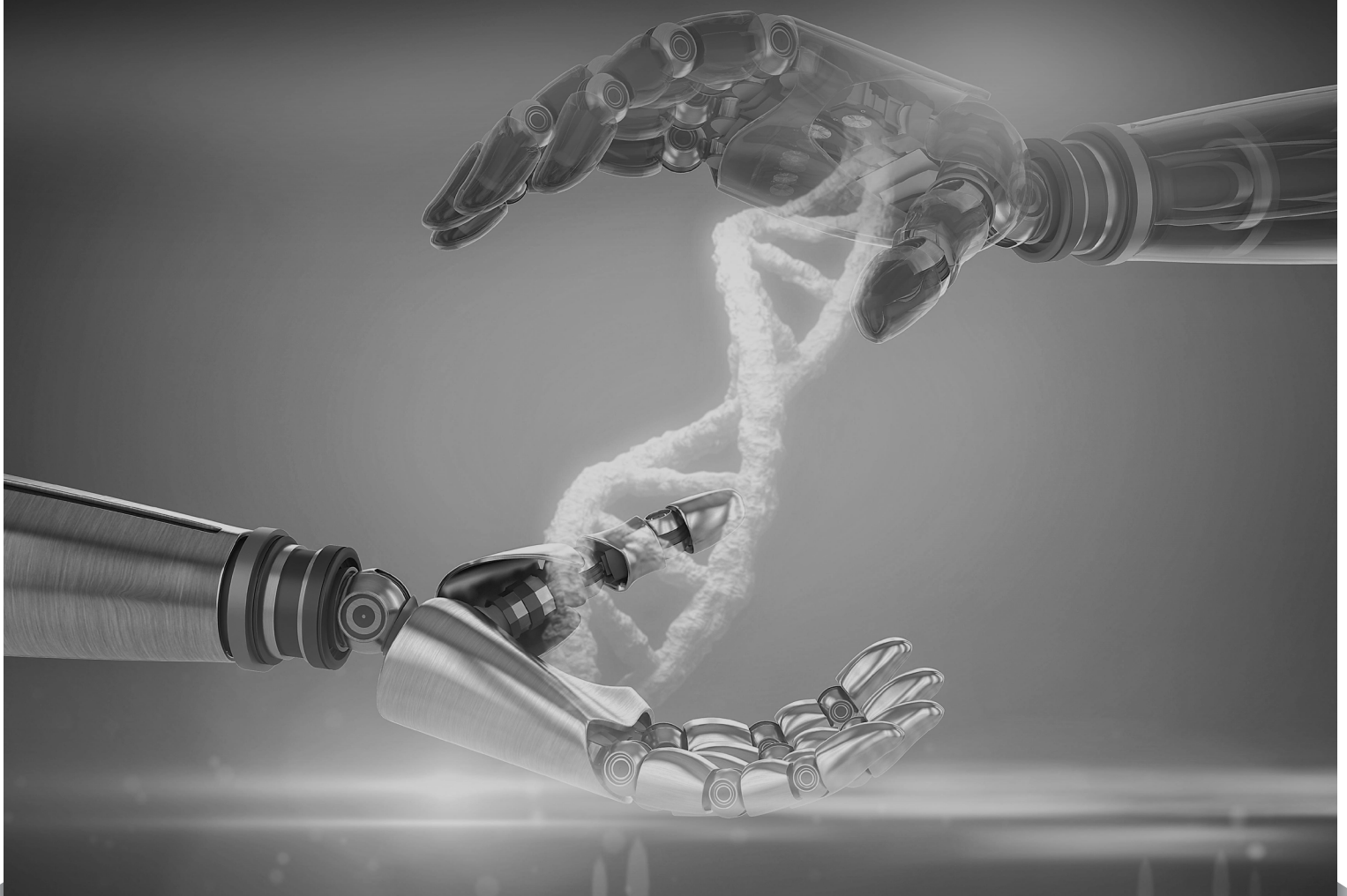




Emerging Stocks Down Under

“*Speculators are full of foolishness. Only the shrewd observer will hit upon the right thing.*”

- Joseph Penso de la Vega (1650-1692), philosopher, diamond merchant



NEUROTECH

Reinventing itself with cannabis

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Reinventing itself with cannabis

Stocks Down Under rating: ★★★★★

ASX: NTI
Market cap: A\$73.3M

52-week range: A\$0.038 / A\$0.12
Share price: A\$0.105

Life as a listed health company is not easy, especially if you're in the cannabis space. Neurotech (ASX: NTI) is one such company in this space. Relatively few ASX companies have succeeded, let alone got their products commercialised, but we think Neurotech is one of the top candidates in this space. Since it listed, this company hasn't had the best history, but we think its pivot to cannabis could build a better future for the company. Yes, you could say that about any Medtech pivoting to cannabis, but no other MedTech has received a bigger piece of clinical data this year.

Share price chart



Source: Tradingview

A volatile past

Neurotech listed on the ASX in November 2016. At the time, its centrepiece was a MedTech device called *Mente*, a portable headband designed for home use that helps children with autism self-regulate, relax and focus. The product worked by rebalancing excessive activation of low and high-frequency brainwaves, which can often lead to inattention, anxiety and hyperactivity.

For just over four years, Neurotech shares were quite volatile, rising off the back of clinical data but dropping off the back of unexpected bad news. For instance, in 2019 the company was forced to part ways with a strategic advisor who a Maltese newspaper found had lied about his professional qualifications. In February 2020, *Mente* got cancelled from the Australian Registry of Therapeutic Goods after it failed a review. This was not because it was unsafe, but because it did not comply with all 'Essential Principles' necessary for the green light. Even though Australia was never going to be a big market, investors took poorly to the latter news.

Setting the foundations for a better future

But all that was in a past life. Later in 2020, Neurotech licensed the rights to 80 different cannabis strains from an Australian hemp grower who had been cultivating them for 20 years after importing them from China.

It began clinical trials soon after on a unique strain - NT1164, which contains really high levels of CBD (the part of cannabis that has a range of benefits) and little to no THC (the stuff that gets users 'high') and would therefore make it unsuitable for children.

The company also welcomed Brian Leedman as chairman, a West Australian who you may remember from ResApp (ASX: RAP). The company's own Mente headbands were used in the trials to analyse neurological responses in children taking the drug. It is a unique study, because it is the first to assess full spectrum medicinal cannabis containing little to no THC.

The results came through in July 2022 showing 93% of patients showed improvement of symptoms and severity of illness after 28 days of treatment. Two of the four patients recorded a Marked Therapeutic Index score of 2, meaning they experienced complete or near remission of all symptoms. 64% of children showed 'much improved', another 29% showed 'minimally improved', while just one showed 'no change'. None showed regression, in other words worse behaviour.

It was also well-tolerated, with no serious adverse events. Currently, the best hope for parents with children with autism is either expensive cognitive behavioural therapy or one FDA approved drug called risperidone that is an antipsychotic that can cause some horrible side-effects. But if NT1164 can be commercialised, it provides significant hope for children and their parents.

What's next?

Neurotech has told shareholders it hopes to have a registered product for sale in the next two years. Before then, it hopes to conduct a Phase II/III clinical trial and make an Investigational New Drug Application with the FDA. The former will be done by Q3 CY23, after commencing this current quarter, while the latter is hoped to be done before the end of this calendar year. The company still has not set a definitive number for how many participants it will enrol, but CEO Alexandra Andrews told us last month [in our video interview](#) that it has a list of over 150 families that have registered interest already.

Throughout the next couple of years, it expects to commence licensing discussions and negotiations with potential big pharma partners. Ultimately, it will have a large market given that autism impacts one in every 44 kids in the USA. Beyond autism treatment, it is exploring the anti-inflammatory properties of its NT1164 cannabis strain.

What are the risks with this stock? Well, the most obvious risk is that it may be unable to pass regulatory hurdles or clinical trials. The Phase I/II results de-risk both significantly, but there is the chance the FDA might be more stringent considering children are involved.

Another is, that regardless of what this company does, its share price will be influenced significantly by the broader cannabis market (both medicinal and recreational) that goes through very frequent booms and busts. And finally, there are manufacturing risks – the company will have to maintain a strict specification of the ingredients and ensure batch-to-batch consistency. So far this has not been a problem, although there is the chance that could change as production ramps up.

In the end, there are few companies with such recent and comprehensive data as Neurotech and, consequently, the company has greater promise to get to market. For longer-term investors comfortable with the typical risks associated with this industry, we think this one is four stars.



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