Recce Pharmaceuticals

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Runway Extended, Trials Advance

NEED TO KNOW

- **Non-dilutive funding extends cash runway**
- **DFI catalyst nears – Indonesian Phase 3 trial dosing**
- **US Army deepens engagement**

R&D tax incentive rebate received from the Australian Taxation Office for FY2025: Recce has received a A$5.3m R&D tax rebate this quarter with a further ~A$3.5m expected in coming weeks to complete the FY25 incentive rebate. This lifts total available funding (cash + facilities) to ~A$22.6m, representing ~13.8 quarters' coverage at the current burn rate.

DFI catalyst nears with ongoing Phase 3: The Indonesian registrational Phase 3 DFI (diabetic foot infection) trial of R327G is actively dosing across five sites, with an interim analysis at ~155 patients designed to support potential accelerated approval and a 2026 launch. As such, we expect an interim data readout in 1HCY26.

Strategic US Army and IP progress: A second US Army Cooperative Research and Development Agreement (CRADA) for burn wounds and a new Brazil patent (Family 4, to 2041) deepen US Department of Defense engagement and extend long-dated IP protection in a large antibiotics market.

Investment Thesis

Developing an entirely new class of anti-infectives for hard-to-treat infections: Recce is advancing a first-in-class platform based on acrolein-derived polymer technology. This synthetic approach offers a fundamentally different mechanism of action, designed to overcome multi-drug resistance and provide therapeutic options against some of the most challenging bacterial pathogens.

Novel mechanism of action: R327 exhibits a novel mechanism of action and is uniquely recognised by the WHO as the only anti-infective that disrupts ATP production. Notably, it remains water-soluble across all pH levels, including those of the human stomach, which supports its stability and broad therapeutic potential.

Substantial promise in preclinical testing: R327 is a novel, broad-spectrum anti-infective designed to overcome antimicrobial resistance, including superbug forms, even after repeated use, and has shown significant selective interaction with a broad range of bacterial cells and viruses in preclinical testing to date.

Valuation/Risks

We retain our risk-adjusted NPV-based valuation of Recce at A$764m, or A$2.40 per share, with the Indonesian Phase 3 DFI program and planned ABSSSI indication continuing to underpin the bulk of our value attribution. This valuation incorporates the company's reported cash balance of A$1.7m at 31 March 2026, and assumes a cumulative 30m-share equity issuance over the next three years. Key risks include clinical, regulatory, competitive, and financial risks.

Equity Research Australia

Pharmaceuticals, Biotechnology/Life Sciences

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Recce Pharmaceuticals

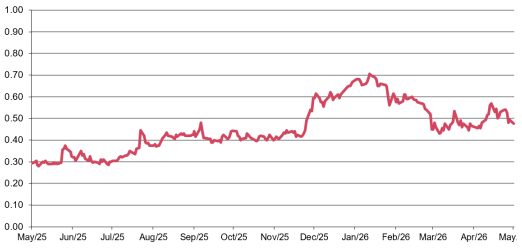
Recce Pharmaceuticals is a clinical-stage biopharmaceutical company which is developing and commercialising a new class of synthetic anti-infectives to address antibiotic-resistant bacteria (superbugs) and emerging viral pathogens. Patented lead candidate RECCE® 327 (R327) is being developed in a variety of formulations to treat potentially life-threatening infections including sepsis due to Gram-positive and Gram-negative bacteria including superbug forms. R327 is on the Pew Charitable Trust's Global New Antibiotics in Development Pipeline as the only synthetic polymer and sepsis drug candidate in development. www.recce.com.au

Valuation	**A$2.40** *(unchanged)*
Current price	**A$0.48**
Market cap	**A$143m**
Cash on hand	**A$1.7m** *(31 March 2026)*

Upcoming Catalysts / Next News

Period	
1HCY26	Interim result – Ph 3 R327G: Indon.
1HCY26	R327G Ph 3 trial (ABSSSI) start
2HCY26	Filing IND for R327G
2HCY26	R327 Ph 2 trial UTI/urosepsis start
2HCY26	Potential launch of R327G: Indonesia

Share Price (A$)



Source: FactSet, MST Access.

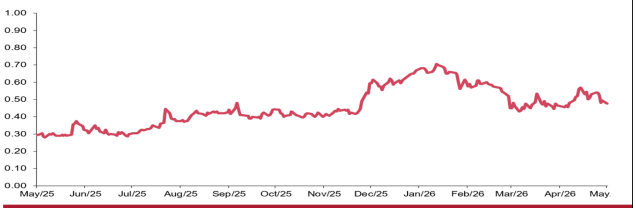
Recce Pharmaceuticals — RCE-AU

Year end 30 June, AUD unless otherwise noted

MARKET DATA

Price	**$**	**0.48**
52 week high / low	$	0.28-0.71
Valuation	**$**	**2.40**
Market capitalisation	$m	143.1
Shares on issue (basic)	**m**	289.2
Options / rights	m	32.9
Other equity	m	0.0
Shares on issue (diluted)	**m**	**322.1**

12-MONTH SHARE PRICE PERFORMANCE (A$)



INVESTMENT FUNDAMENTALS		FY24A	FY25A	FY26E	FY27E	FY28E
Reported NPAT	$m	(17.7)	(21.4)	(17.9)	(11.1)	(8.2)
Underlying NPAT	**$m**	**(17.7)**	**(21.4)**	**(17.9)**	**(11.1)**	**(8.2)**
Reported EPS (diluted)	¢	(10.0)	(9.0)	(6.2)	(3.7)	(2.6)
EPS Underlying (diluted)	**¢**	**(10.0)**	**(9.0)**	**(6.2)**	**(3.7)**	**(2.6)**
Growth	%					
Underlying PER	**x**	**nm**	**nm**	**nm**	**nm**	**nm**
Operating cash flow per share	¢	-5.6	-7.1	-6.0	-3.6	-2.6
Free cash flow per share	¢	-5.7	-7.2	-6.0	-3.6	-2.6
Price to free cash flow per share	**x**	**nm**	**nm**	**nm**	**nm**	**nm**
FCF Yield	%	nm	nm	nm	nm	nm
Dividend	**¢**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Payout	%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield	**%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%
Enterprise value	**$m**	**139.5**	**135.6**	**143.5**	**144.5**	**142.7**
EV/EBITDA	x	(7.8)	(6.3)	(8.2)	(13.4)	(25.7)
EV/EBIT	x	(7.8)	(6.3)	(8.1)	(13.4)	(25.5)
Price to book (NAV)	x	(11.6)	(44.9)	(13.0)	(12.2)	(14.9)
Price to NTA	x	(11.6)	(44.9)	(13.0)	(12.2)	(14.9)

KEY RATIOS		FY24A	FY25A	FY26E	FY27E	FY28E
EBITDA margin	%	nm	nm	nm	nm	nm
EBIT margin	%	nm	nm	nm	nm	nm
NPAT margin	%	nm	nm	nm	nm	nm
ROE	%	nm	nm	nm	nm	nm
ROA	%	nm	nm	nm	nm	nm
Net tangible assets per share	$	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Book value per share	$	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net debt/(cash)	$m	(3.6)	(7.5)	0.4	1.4	(0.4)
Interest cover/ (EBIT/net interest)	x	nm	nm	nm	nm	nm
Gearing (net debt/EBITDA)	x	nm	nm	(0.0)	(0.1)	nm
Leverage (net debt/(net debt + equity))	x	nm	nm	(0.0)	(0.1)	nm

DUPONT ANALYSIS		FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	nm	nm	nm	nm	nm
Return on Assets	%	nm	nm	nm	nm	nm
Leverage	x	nm	nm	nm	nm	nm
Return on Equity	%	nm	nm	nm	nm	nm

Clinical development pipeline

Anti-bacterial programs	Indication	Status
R327 (intravenous)	Sepsis associated with QIDP targets	Phase 2 ready
R327 (intravenous)	UTI/Urosepsis	Phase 2 ready
R327 (topical)	Burn wound infection	Phase 1b/2a completed
R327 (topical)	Burn wound infection (gel wound dressing)	In development with DoD
R327 (topical)	Diabetic foot infections (Indonesia)	Phase 3 underway
R327 (topical)	ABSSSI/DFI (Australia)	Phase 2 completed
R327 (topical)	ABSSSI (Australia)	Phase 3 ready
R327 (inhalation)	Hospital/Ventilator Acquired Pneumonia (HAP/VAP)	Preclinical
R435 (oral)	Helicobacter pylori in stomach ulcers	Preclinical
Anti-viral programs	**Indication**	**Status**
R327 (nasal)	SARS-CoV-2 & other viral infections	Preclinical
R529	Viral infections	Preclinical

HALF YEARLY DATA		2H23	1H24	2H24	1H25	2H25
Total Revenue	$m	4.3	2.4	2.7	6.9	0.7
Operating expenses	$m	(8.2)	(9.6)	(13.2)	(14.7)	(14.4)
EBITDA	$m	(3.9)	(7.2)	(10.6)	(7.7)	(13.7)
EBIT	$m	(3.9)	(7.2)	(10.6)	(7.8)	(13.7)
PBT	$m	(3.9)	(7.2)	(10.5)	(7.7)	(13.7)
Reported NPAT	$m	(3.9)	(7.2)	(10.5)	(7.7)	(13.7)

Source: Company reports, MST Access estimates

PROFIT AND LOSS		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**$m**	**0.0**	**0.0**	**0.0**	**1.4**	**6.4**
Other income	$m	5.0	7.6	6.0	7.3	6.4
Total Revenue	**$m**	**5.0**	**7.6**	**6.0**	**8.6**	**12.8**
Operating expenses	$m	(22.8)	(29.1)	(23.6)	(19.4)	(18.3)
EBITDA	**$m**	**(17.8)**	**(21.5)**	**(17.6)**	**(10.8)**	**(5.6)**
Depreciation & Amortisation	$m	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)
EBIT	**$m**	**(17.8)**	**(21.5)**	**(17.6)**	**(10.8)**	**(5.6)**
Net interest	$m	0.2	0.1	(0.2)	(0.3)	(2.6)
Pretax Profit	**$m**	**(17.7)**	**(21.4)**	**(17.9)**	**(11.1)**	**(8.2)**
Tax expense	$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	**$m**	**(17.7)**	**(21.4)**	**(17.9)**	**(11.1)**	**(8.2)**
Underlying NPAT	$m	**(17.7)**	**(21.4)**	**(17.9)**	**(11.1)**	**(8.2)**
End of year shares	m	231.9	288.4	299.2	309.2	319.2

GROWTH PROFILE		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	%	nm	nm	nm	nm	nm
EBITDA	%	nm	nm	nm	nm	nm
EBIT	%	nm	nm	nm	nm	nm
Reported NPAT	%	nm	nm	nm	nm	nm
DPS	%	nm	nm	nm	nm	nm

BALANCE SHEET		FY24A	FY25A	FY26E	FY27E	FY28E
Cash	$m	4.4	10.4	2.6	1.5	3.4
Receivables	$m	0.2	0.4	0.4	0.4	0.4
Inventory	$m	0.0	0.0	0.0	0.0	0.0
Other	$m	0.6	0.5	0.5	0.5	0.5
Current assets	**$m**	**5.1**	**11.4**	**3.5**	**2.5**	**4.3**
PPE	$m	0.4	0.4	0.4	0.3	0.3
Right-of-use assets	$m	0.8	0.6	0.6	0.6	0.6
Intangible assets	$m	0.0	0.0	0.0	0.0	0.0
Other	$m	(0.0)	0.0	0.0	0.0	0.0
Non current assets	**$m**	**1.2**	**1.0**	**1.0**	**1.0**	**1.0**
Total assets	**$m**	**6.4**	**12.4**	**4.5**	**3.4**	**5.3**
Trade and other payables	$m	14.4	3.0	3.0	3.0	3.0
Borrowing and leases	$m	0.2	2.5	2.5	2.5	2.5
Other	$m	0.5	0.6	0.6	0.6	0.6
Current liabilities	**$m**	**15.1**	**6.1**	**6.1**	**6.1**	**6.1**
Borrowing and leases	$m	0.6	0.4	0.4	0.4	0.4
Other liability	$m	0.2	8.9	8.9	8.9	8.9
Non current liabilities	**$m**	**0.8**	**9.3**	**9.3**	**9.3**	**9.3**
Total liabilities	**$m**	**15.9**	**15.5**	**15.5**	**15.5**	**15.5**
Net assets	**$m**	**(9.5)**	**(3.1)**	**(10.9)**	**(12.0)**	**(10.2)**
Share capital	$m	54.8	81.5	91.5	101.5	111.5
Retained earnings	$m	(70.1)	(91.5)	(109.4)	(120.5)	(128.7)
Other	$m	5.7	7.0	7.0	7.0	7.0
Total equity	**$m**	**(9.5)**	**(3.1)**	**(10.9)**	**(12.0)**	**(10.2)**

CASH FLOW		FY24A	FY25A	FY26E	FY27E	FY28E
Net loss for period	**$m**	**(17.7)**	**(21.4)**	**(17.9)**	**(11.1)**	**(8.2)**
Depreciation & Amortization	$m	0.1	0.1	0.1	0.0	0.0
Changes in working capital	$m	4.3	(0.7)	0.0	0.0	0.0
Other	$m	0.3	1.6	0.0	(0.0)	(0.0)
Operating cash flow	**$m**	**(13.0)**	**(20.4)**	**(17.8)**	**(11.0)**	**(8.1)**
Payments for PPE	$m	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Other	$m	0.0	(0.4)	0.0	0.0	0.0
Investing cash flow	**$m**	**(0.1)**	**(0.4)**	**(0.0)**	**(0.0)**	**(0.0)**
Equity	$m	10.5	26.6	10.0	10.0	10.0
Borrowing and Lease liability net payments	$m	5.6	0.3	0.0	0.0	0.0
Other	$m	(0.0)	(0.0)	0.0	0.0	0.0
Financing cash flow	**$m**	**16.0**	**26.9**	**10.0**	**10.0**	**10.0**
Cash year end	**$m**	**4.4**	**10.4**	**2.6**	**1.5**	**3.4**
Free cash flow	**$m**	**(13.2)**	**(20.9)**	**(17.9)**	**(11.1)**	**(8.2)**

3QFY26 Update: DFI Catalyst Nears

Recce's 3QFY26 result showed a materially stronger balance sheet following receipt of the R&D rebate, with a higher cash balance, positive operating cash flow and a longer funding runway versus 2QFY26.

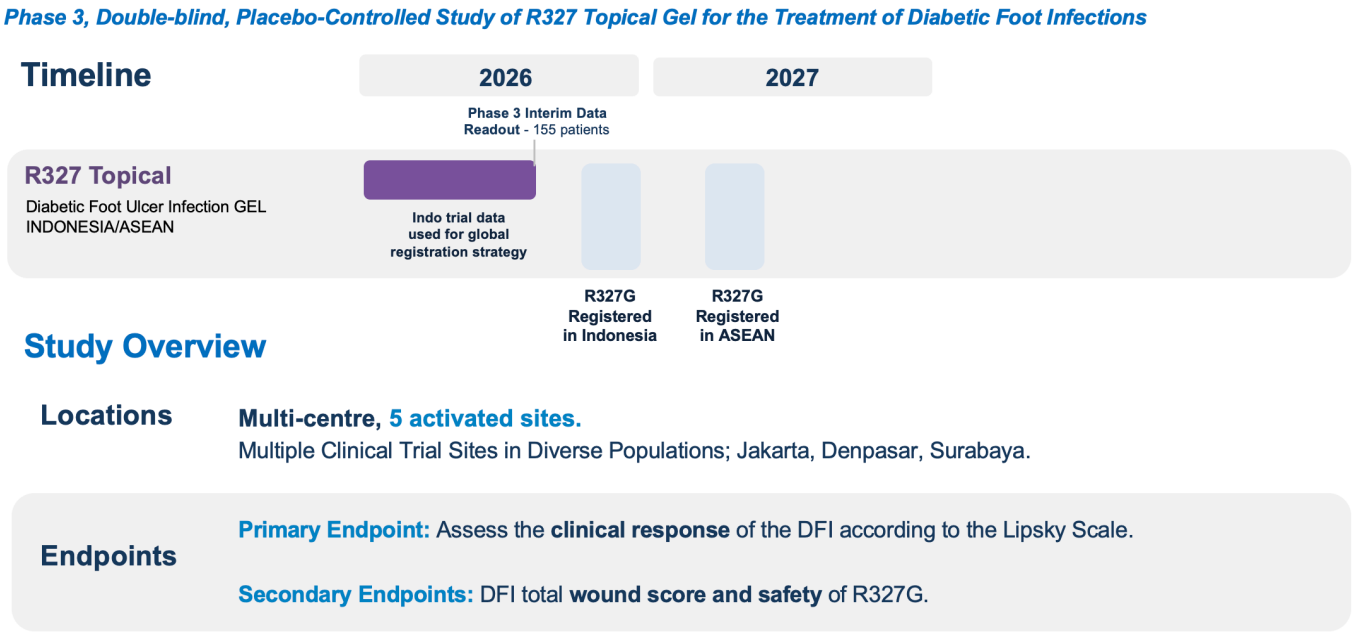
- Recce ended 3QFY26 with A$1.7m in cash, up from A$0.4m in the prior quarter, driven by its receipt of the A$5.3m R&D tax incentive.
- Operating cash flow turned positive, with net operating cash inflows of A$1.6m; key outflows comprised A$2.7m in R&D, A$0.7m in staff costs and A$0.5m in administration and corporate expenses, alongside A$0.7m of related-party payments to executives and directors.
- Total available funding increased to A$22.6m, comprising A$1.7m of cash with A$20.9m of undrawn facilities (Avenue loan facility and Acuity at-the-market equity program), which equates to an estimated 13.8 quarters of funding at the current net operating cash flow profile.

Indonesian Phase 3 DFI trial advancing

Patient dosing underway across five activated study sites

Recce continues to advance its registrational Phase 3 trial of topical RECCE 327 Gel (R327G) for diabetic foot infections (DFIs) in Indonesia, with patient dosing now underway across five activated study sites and the program remaining the core near-term value driver. The study is enrolling up to 310 patients, randomised to receive either R327G or placebo, and is designed to support an accelerated approval filing if outcomes are positive. Clinical response will be assessed using the Lipsky Scale, with secondary endpoints including an overall DFI wound score and safety/tolerability, and an interim analysis is planned after treatment of approximately 155 patients, which could enable an approvable interim data readout by end of 1HCY26 and support a potential Indonesian market launch in 2026.

Figure 1: Recce Pharmaceuticals Phase 3 registrational R327G DFI study – Indonesia



Source: Recce Pharmaceuticals.

Properties of R327 Topical Gel

R327G is a broad-spectrum synthetic anti-infective designed to kill both active and dormant bacteria, including multidrug-resistant strains, via a rapid, non-specific surface mechanism that does not depend on classical antibiotic targets. Applied directly to the wound, it delivers high local concentrations with limited systemic exposure, an advantage in DFIs where polymicrobial, often resistant biofilms and poor limb perfusion blunt systemic antibiotic efficacy, and early data in ABSSSI/DFI cohorts showing high response rates and good tolerability suggest it could become a differentiated, convenient and resistance-resilient option in a setting with no topical agents specifically approved for DFIs.

Figure 2: R327 Topical Gel – properties

Source: Recce Pharmaceuticals.

R327G already has encouraging human data, lowering the risk for the ongoing Indonesian Phase 3 DFI trial. Earlier studies in skin infections, including DFIs, showed high healing rates and a clean safety profile, suggesting the gel can work where standard antibiotics often struggle. If the current Phase 3 trial confirms these results, R327G could become one of the first dedicated topical treatments for DFIs, opening up a meaningful new option for patients and a clear commercial opportunity for Recce.

Figure 3: Topical clinical programs – previously completed

Phase I/II Clinical Trial
Diabetic Foot Infections (DFI)

- **Interim data results released – primary endpoints achieved**
- Patients supported by in-home (out-patient) nurses trained in R327 treatment protocols
- Study across South Western Sydney health district – one of the highest prevalence rates of diabetes in NSW

Phase I/II Clinical Trial
Treatment of Burn Wound Infections

- **Stage 1 Complete**
- Patients treated with R327 showed **good indications of safety and tolerability**
- **No serious adverse events** reported among patients

Phase II Clinical Trial
ABSSSI

- This Phase II study **achieved all primary and secondary endpoints** as an open-label clinical trial evaluating the safety and tolerability, efficacy, and plasma pharmacokinetics of R327G when applied directly to the infected area

For illustrative purposes only – not final product

Source: Recce Pharmaceuticals.

US Army deepens engagement

Recce's quarterly reinforced the strategic importance of its US Government burn-wound collaborations and clarified the scope and duration of the new agreement.

Recce also confrimed that its second Cooperative Research and Development Agreement (CRADA) with the US Army Institute of Surgical Research (USAISR), under which USAISR will evaluate R327G in its validated Walker-Mason rat model of burn wound infection, a preclinical model designed to mirror battlefield burns and subsequent systemic infection. The study will examine whether R327G can meaningfully reduce bacterial burden in MRSA- and Pseudomonas-infected burn wounds, supporting its development as a broad-spectrum amorphous hydrogel dressing for frontline military kits and wider clinical and post-operative use. This CRADA, which runs until 30 September 2028 unless extended, builds on Recce's existing US Army Medical Research Institute of Infectious Diseases collaboration and prior US Department of Defense grant funding, underscoring growing US Government interest in R327 across combat casualty care and biodefence and potentially paving the way for future government-sponsored studies, procurement pathways and strategic partnerships.

Figure 4: Department of Defense (Department of War) burn wound programs

U.S. Department of Defense Congressionally Directed Medical Research Program (CDMRP)	CRADA with the *U.S. Army Medical Research Institute of Infectious Diseases*	CRADA with the *U.S. Army Institute of Surgical Research (USAISR)*
Project: *A Novel, Synthetic Anti-infective Drug Candidate, R327, for the Acute Treatment of Burn Wounds and Downstream Sequelae* **Goal:** Develop room-temperature-stable, sterile R327 amorphous hydrogel dressing in sachets for field use; evaluate efficacy to treat burn wound infections in animal thermal wound infection models.	**Project:** *Core Antibiotic Screening Program Funded by DTRA. Testing R327 against a panel of biothreat pathogens* **Update:** Preliminary testing with R327 is ongoing with 30-strain panels of biodefense pathogens including *Burkholderia pseudomallei* and *Yersinia pestis* along with control strains *E. coli* (ATCC 25922), *S. aureus* (ATCC 29213) and *P. aeruginosa* (ATCC27853).	**Project:** *To evaluate the efficacy of R327G in reducing the bioburden of Pseudomonas aeruginosa / Staphylococcus aureus in Burn Wounds in the USAISR Walker-Mason rat model.*

Source: Recce Pharmaceuticals.

Brazil patent extends IP footprint

Recce's IP position was further enhanced during the quarter with the grant of a new Brazil 'Family 4' patent covering its anti-infective portfolio (see Appendix). The Brazilian National Institute of Industrial Property (INPI) has granted a Family 4 patent for Recce's anti-infectives, with expiry in 2041, marking the company's seventh Family 4 grant alongside Australia, Canada, China, Hong Kong, Israel and Japan, and taking its broader IP footprint to 15 jurisdictions globally across all patent families.

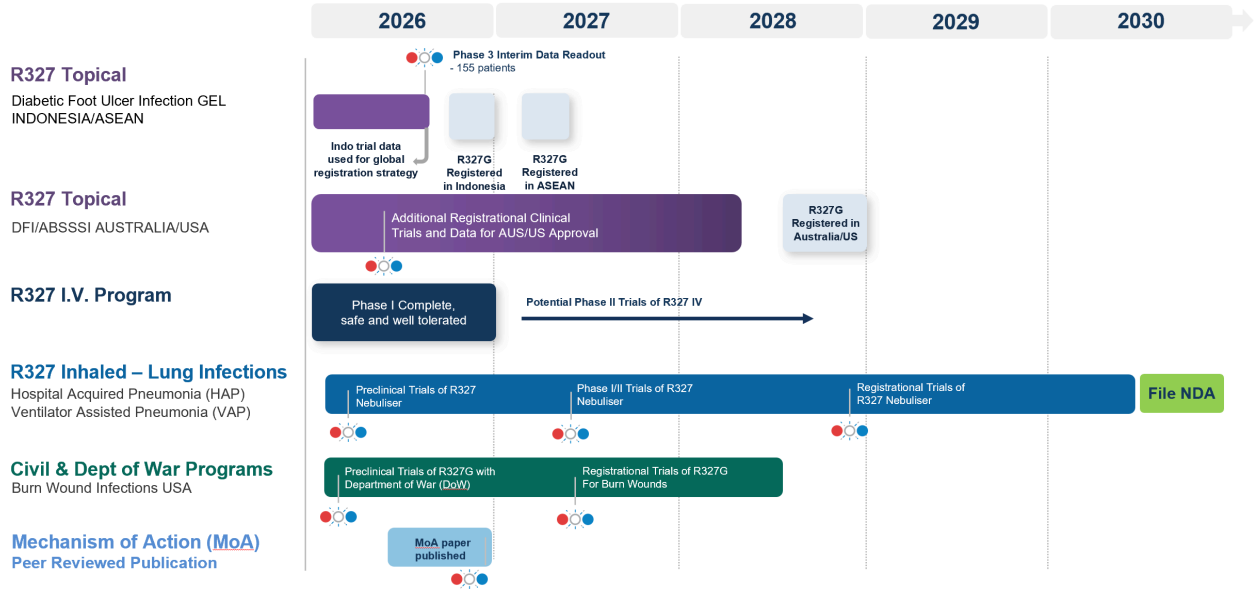
The Brazil patent covers R327 and RECCE 529 (R529), including the process for preparing Recce's synthetic anti-infectives and their use in a wide range of bacterial and viral infections, spanning ABSSSI, DFI, burn wounds, lung infections (including VAP/HAP), urinary tract infections, gonorrhoea, influenza and SARS-CoV-2, with protection across multiple administration routes (oral, inhalation, transdermal, injection, aerosol, gel, topical foam and ointment). Brazil is one of the world's largest antibiotic markets and the largest in South America, with antibiotic revenues of US$774.5m in 2024 which is expected to grow to US$964.3m by 2033 (2.5% CAGR 2025–33), according to the Grand View Research Horizon Databook entry titled "Brazil Antibiotics Market Size & Outlook, 2024–2033. This patent aligns with Recce's strategy of securing long-dated protection in leading antibiotic markets and underpins future regional partnering and commercialisation options.

Thesis: Near-Term Topical Opportunity with R327G

Recce's unique value proposition lies in its proprietary, patented compounds – RECCE® 327 (R327), RECCE® 435 (R435), and RECCE® 529 (R529) – which feature a novel, multi-layered mechanism of action that distinguishes them from traditional antibiotics. These broad-spectrum polymer compounds are engineered to retain efficacy against resistant pathogens and have secured key regulatory designations, including FDA Fast Track status, FDA Qualified Infectious Disease Product (QIDP) designation, and World Health Organization recognition. Recce stands out among ASX-listed biotech companies focused on antimicrobial resistance with over 40 granted patents, non-dilutive government funding, and early clinical validation.

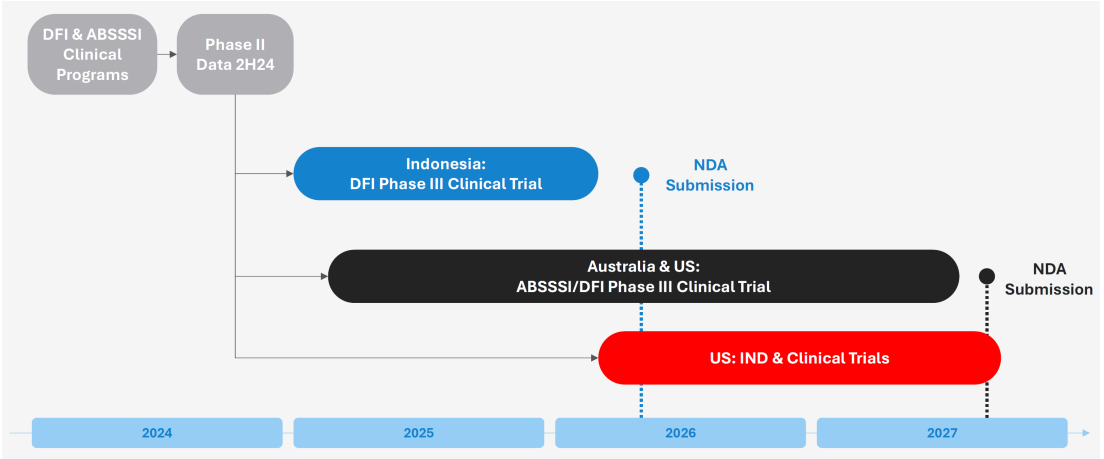
Recce's lead candidate, R327, is currently in multiple clinical trials targeting a wide range of drug-resistant bacterial infections, including urinary tract infections (UTIs), urosepsis, diabetic foot infections (DFIs), burn wounds, and acute bacterial skin and skin-structure infections (ABSSSIs). In-vitro studies have shown broad-spectrum activity against ESKAPE pathogens and consistent efficacy across 25 serial passages, with no observed resistance, unlike traditional antibiotics such as amoxicillin. A serial passage for antibiotics is a laboratory method where bacteria are repeatedly cultured in increasing concentrations of an antibiotic to study the development and evolution of antibiotic resistance. The company expects interim results for its registrational Phase 3 trial of R327G for DFIs in Indonesia by mid-CY2026. A separate Phase 3 trial for ABSSSIs in Australia is expected to start in 1HCY26.

Figure 5: Program pipeline (March 2026)



Source: Recce Pharmaceuticals.

Figure 6: Commercialisation pathway for R327G



Source: Recce Pharmaceuticals.

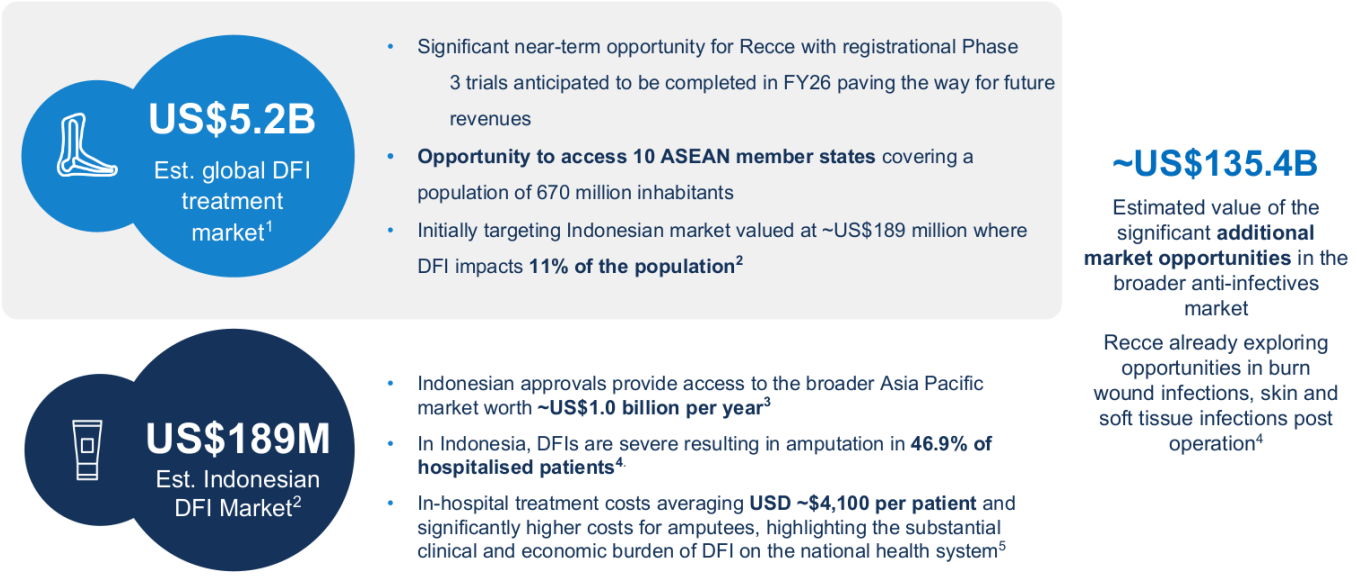
Financing activities and funding runway

- Recce has an At-the-Market (ATM) Subscription Agreement with Acuity Capital, offering standby equity capital. The ATM has been extended to 31 January 2031, with 4.5m shares held as collateral as at 3QFY26 end.
- As at 31 March 2026, Recce reported total financing facilities of A$32.6m with A$11.6m drawn, primarily reflecting the Avenue Capital debt facility and associated equity-linked arrangements, positioning the company with meaningful funding flexibility over the near term.
- Cash on hand at 31 March $1.7m.
- Total available funding (cash + facilities) of ~A$22.6m, representing ~13.8 quarters' coverage at current burn.

Near-term catalysts

- Investors should watch for trial progress in Indonesia, updates on the planned Phase 3 study in Australia, and upcoming regulatory submissions, as these milestones will shape Recce's near-term growth prospects.
- The main near-term catalyst is the interim analysis from the pivotal Phase 3 clinical trial in Indonesia for DFIs. Interim results could influence regulatory and commercial planning and pathways.
- Successful interim data from the Indonesian trial may expedite local regulatory approvals under Indonesia's streamlined, fast-track drug approval environment. The new regulatory regime is designed to reduce approval timelines and encourage international clinical research collaboration, especially in high-need areas such as diabetes-related infections. A positive study could enable commercial launch in Indonesia in CY26, unlocking substantial value and potential for regional expansion. Over 11% of the adult population in Indonesia lives with diabetes, and the prevalence of DFIs and existing gaps in effective therapies provide a significant commercial opportunity for Recce should the trial succeed. Figure 7 highlights the company's opportunity in DFIs in Indonesia and ASEAN.

Figure 7: Overview of the opportunity in DFIs in ASEAN and Indonesia



Source: Recce Pharmaceuticals. Source: (1) Grand View Research, Diabetic Foot Ulcer Treatment Market Size, 2023. (2) Diabetes Atlas, International Diabetic Federation and Prof EM Yunir, Faculty of Medicines, University of Indonesia. (3) Business Market Insights, Asia Pacific Diabetic Foot Ulcer Market, 2021. (4) Grand View Research, Anti-Infective Agents Market Size, 2023. (5) https://doi.org/10.1016/j.heliyon.2024.e41263.

Valuation

We retain our risk-adjusted NPV-based valuation of Recce at A$764m, or A$2.40 per share. Our valuation reflects a cash balance of A$1.7m at 31 March 2026, and assumes a 30m-share capital raising over the next 3 years. Our valuation incorporates 32,919,423 options and performance rights outstanding, exercisable at various prices. As such, our fair value of the shares on a fully diluted basis is A$2.17 per share. The breakdown of our rNPV model, which uses a 12.5% discount rate, is shown in Figure 8. Our valuation assumes a go-it-alone strategy (retain sole ownership/marketing rights) with gross margins upon launch of 92%, with costs (R&D, launch and marketing) paid by Recce.

Figure 8: rNPV-based valuation for Recce Pharmaceuticals

Product	Status	Indications	Dose (delivery)	Launch	Peak sales (US$m)	NPV*(US$m)	Likelihood of approval	rNPV (A$)
R327	Phase 1b/2a	Sepsis associated with QIDP targets (*E.coli* and *Staph aureus*)	Intravenous	2030	1704	2000	15%	454,497,091
R327	Phase 1b/2a	Complicated UTI (cUTI)	Intravenous	2030	219	126	19%	36,391,126
R327	Phase 1b/2a	Burn wounds (broad spectrum)	Topical	2027	292	192	20%	58,323,774
R327	Phase 3 (ready)	Acute Bacterial Skin and Skin Structure Infections (ABSSSI)	Topical	2026	402	386	20%	117,021,938
R327	Phase 3	Diabetic foot infections (DFI) (ASEAN)	Topical	2026	109	63	30%	94,832,933
R327	Preclinical	Hospital/Ventilator Acquired Pneumonia (HAP/VAP)	Inhalation	2033	55	1	5%	1,831,455
R327	Preclinical	Bacterial sinusitis	Intravenous and intranasal	n/a				-
R435	Preclinical	*Helicobacter pylori* in stomach ulcers	Oral	n/a				-
R328	Preclinical	*Mycobacterium absecessus*	Intravenous	n/a				-
R327	Preclinical	COVID & Influenza	Intranasal	n/a				-
R529	Preclinical	COVID	Intravenous and intranasal	n/a				-
							Cash position as at 31 March 2026 (A$)	1,690,518
							Shares outstanding *(incorporating assumed 30m new shares issued for future capital raisings)*	319,183,422
							rNPV/share (A$)	**2.40**

Source: MST Access estimates.

Near-term strategic priorities and capital requirements

In the near term, Recce's strategic focus is centred on advancing the topical formulation of R327 (R327G) for the treatment of ABSSSIs and DFIs. This prioritisation is driven by the potential for early commercialisation in these indications, supported by ongoing and upcoming pivotal Phase 3 studies in Indonesia and Australia. Nonetheless, our valuation assumes that Recce will simultaneously progress all of its clinical-stage indications in parallel. As such, we assume Recce will need to raise a further A$105m to advance its IV programs (sepsis and urosepsis) through to commercial readiness. Notably, should the company choose to prioritise the development of R327G for ABSSSIs and DFIs – temporarily suspending other programs until after the initial commercial approval of R327G – the aggregate funding requirement would be reduced. In this scenario, Recce could leverage post-launch commercial revenues to support the subsequent resumption of research and development activities for the remaining targeted indications.

Figure 9: Timelines assumed in our valuation

Formulation	YE December	2025	2026	2027	2028	2029	2030	2031	2032	2033
IV	Sepsis associated with QIDP targets (*E.coli* and *Staph. Aureus*)			Phase 2	Phase 3	Phase 3	Launch			
IV	Complicated UTI		Phase 2	Phase 2	Phase 3	Phase 3	Launch			
Topical	Burn wound infections (Broad Spectrum)	Phase 2	Phase 2	Phase 3	Launch					
Topical	Acute Bacterial Skin and Skin Structure Infections (ABSSSI)	Phase 3	Launch							
Topical	Diabetic foot infections (DFI) - Indonesia (ASEAN)	Phase 3	Launch							
Topical	Diabetic foot infections (DFI) - USA		IND	Phase 2	Phase 3	Launch				
Inhalation	Hospital/Ventilator Acquired Pneumonia (HAP/VAP)		Preclinical		Phase 1	Phase 2	Phase 2	Phase 3	Phase 3	Launch

Source: MST Access forecasts.

Sensitivities and risks

Our valuation is sensitive to both clinical catalysts and associated risks. A positive interim readout in the Indonesian Phase 3 DFI trial could accelerate approval and increase the valuation. Likewise, strong Phase 3 results in Australia could expand markets and boost valuation. Early regulatory success would further strengthen investor confidence and upside potential.

Beyond technological risk, Recce is subject to various risks typically associated with biotech companies in the early stages of drug development, including the possibility of unfavourable outcomes in clinical trials, regulatory decisions, success of competitors, financing, and commercial risk.

Technology: Recce is a pioneer in developing a new class of anti-infectives based on acrolein polymer technology with a clinical strategy targeting major unmet medical needs and markets. Despite the relative lack of new anti-infective categories emerging over the past several decades, and the rise of antimicrobial resistance in the meantime, it remains to be seen whether Recce can prove efficacy in human clinical trials with its synthetic polymer approach.

Clinical trials: Technology aside, clinical risk remains significant given the early stage of clinical development and the task at hand. Developing a new antimicrobial treatment depends on multiple factors, including the vulnerability of the host, the virulence of the organism, and the use of antimicrobials that are both efficacious on repeated use and able to penetrate tissue in time to prevent unwanted spread. As a non-traditional synthetic compound, the acquisition of resistance to Recce products may prove harder for micro-organisms, but this is yet to be established in human trials. Variability in timelines of clinical trials related to speed of enrolment in the expanded Phase 2 trial and both Phase 3 trials also adds to the raft of clinical risks at this stage.

Funding risk: The company is currently funding all clinical programs and may need to raise additional capital to support studies of new clinical targets. Any shortfall in the amount raised or underestimation of forecasted costs may add to funding risk and the ability to raise capital in the future. Furthermore, the ATM provides flexible equity capacity but carries dilution risk if used materially.

Regulatory: QIDP status is an FDA designation for antibacterial or antifungal drugs intended to treat serious or life-threatening infections, especially those caused by resistant or emerging pathogens, and provides sponsors with key benefits in terms of accelerating the regulatory process and enhancing market protection. Notwithstanding gaining QIDP status in sepsis, Recce will need to gain approval from the FDA or international regulatory bodies for marketing in the US or other global markets before entering a market, assuming clinical data is positive.

Commercialisation and reimbursement: In the absence of a development partner, and assuming clinical development is successful and regulatory approvals are achieved, the company will need to secure manufacturing at scale, quality control, marketing, and distribution of its products. Although manufacturing can be outsourced to a degree, maintaining the low cost of goods, Recce's strategy of maintaining all rights to the technology through to launch and beyond adds considerable risk to the choice of distributor and distribution strategy overall.

Intellectual property: We consider intellectual property risk as low, given the company's broad portfolio of patents in all key geographies. Nonetheless, given its go-it-alone commercialisation strategy, Recce may be forced to defend its intellectual property through litigation and, in the absence of a partner or licensor, absorb all legal costs.

Appendix

Figure 10: Recce patent portfolio

Filed	Patent Family 1	Expiry	Patent Family 2	Expiry	Patent Family 3	Expiry	Patent Family 4	Expiry
Australia	✓	2028	✓	2037	✓	2037	✓	2041
USA	✓	2029	✓	2037	✓	2037	Pending	
Europe	✓	2028	✓	2037	✓	2037	Pending	
Germany	✓	2028	✓	2037	✓	2037		
Spain	✓	2028	✓	2037	✓	2037		
France	✓	2029	✓	2037	✓	2037		
UK	✓	2028	✓	2037	✓	2037		
Italy	✓	2028	✓	2037	✓	2037		
Sweden	✓	2028	✓	2037	✓	2037		
Japan	✓	2028	✓	2037	✓	2037	✓	2041
China	✓	2028	✓	2037	✓	2037	✓	2041
HK	Pending	2028	Pending	2037	✓	2037	✓	2041
Israel							✓	2041
Canada							✓	2041
Brazil							✓	2041

Source: Recce Pharmaceuticals.

Personal disclosures

Chris Kallos, CFA received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

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The companies and securities mentioned in this report, include:

Recce Pharmaceuticals (RCE.AX) | Price A$0.48 | Valuation A$2.40;

Price and valuation as at 05 May 2026 (not covered)*

Additional disclosures

This report has been prepared and issued by the named analyst of MST Access in consideration of a fee payable by: Recce Pharmaceuticals (RCE.AX)

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