



In transition, poised for first commercial initiatives on a global stage

Company/ASX Code	Telex Pharmaceuticals Ltd (TLX)
AGM date	Wednesday 12 May 2021
Time and location	11.30am, The Events Centre, 727 Collins Street, Melbourne
Registry	Link Market Services
Webcast	Yes https://agmlive.link/TLX21
Poll or show of hands	Poll on all items
Monitor	Alan Hardcastle
Pre AGM Meeting?	Yes with chair Kevin McCann AO and company secretary Melanie Farris

The individual involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

Commanding a market capitalisation of some \$1.26b, Telex Pharmaceuticals Ltd (TLX) was founded just five years ago and has been listed on the ASX for three years. The Company is developing both diagnostic and therapeutic products for the treatment of prostate, kidney, brain, blood and rare cancers. The first commercial product launch is expected second half FY21, thus transitioning to what is expected to be a financially sustainable revenue generating company. The company's stated point of technology difference is its 'Molecularly Targeted Radiation' (MTR), a radioactive payload attached to a targeting agent which binds to select cancer cells. The Company is facing competition globally, both on the diagnostic (imaging) and therapeutic fronts but without a deep understanding of the technology it is difficult to judge just how superior TLX's offerings are.

	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

The Board has an independent non-executive director (NED) chair and a majority of independent NEDs. While it has less than 20% female directors the Company is cognisant of the need to boost that number and is targeting to have not less than 30% NEDs as female by March 2022. In-line with the Company's geographic presence and technical profile, the NEDs' skills are reflected appropriately. However, as TLX transitions to a product manufacturer and supplier the Board is committed to boosting its global sales and marketing; pharma manufacturing; and global supply chain skills. Recognising the Company operates in a highly regulated industry, there is a comprehensive Environmental, Social and Governance (ESG) document that addresses risk,

notably cyber/IT, successful product launches, financial sustainability and the obvious nuclear physics' health risks. All NEDs hold significant numbers shares and options.

<http://telixpharma.com/investors/21-02-26-corporate-governance-statement/>

Financial performance

Total Shareholder Return (TSR) has been particularly rewarding in the last two financial years off the back of significant share price hikes, being 144% in FY20 and 138% in FY19. FY20 revenue was \$5.2m (FY19 \$3.5m) while the total after tax loss for FY20 was \$44.9m (FY19 -\$27.9m). Significant expenditure on research development was maintained at \$23.1m (FY19 \$21.2m) while employee costs was the other major impost at \$15.5m for FY20, double FY19. The Company, as at 31 March 2021, held \$61.42m cash, enough to fund its first commercial launch, Illuccix. TLX has been very active in terms of product development, distributor alignments and corporate arrangements, resulting in high profile marketplace communications.

Key events

Australian headquartered, TLX has strong regional teams in the US, Japan and the EU. In late FY20 it acquired TheraPharm (a EU biotech company) and initiated a strategic partnership with China Grand Pharma (CGP) with a concomitant 'cash injection' from that China-based distribution company. CGP made a one-time equity investment of AU\$35m in TLX in the form of a placement of 20.9m shares at \$1.69. And TLX acquired all the shares of TheraPharm for \$16.6m, giving the Australian company access to a portfolio of products, patents and data relating to MTR in hematology and immunology. While Covid-19 did slow some clinical trials, the Company maintained solid progress with its product commercialisation initiatives.

Key Board or senior management changes

While they are not changes, it should be noted that two of the Board members, CEO Christian Behrenbruch and NED Dr Andreas Kluge, as founders, hold nearly 20% of TLX's capital.

Summary

(As at FYE)	2020	2019	2018	2017
NPAT (\$m)	(44.9)	(27.9)	(13.8)	(6.37)
Share price (\$)	3.78	1.55	0.65	0.62
Dividend (cents)	0	0	0	0
TSR (%)	144%	138%	5%	
EPS (cents)	(17.45)	(11.94)	(6.84)	(4.98)
CEO total remuneration, statutory (\$m)	0.421	0.460	0.380	0.303

For 2020, the CEO's total statutory remuneration was **4.6 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics).

Item 1	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The CEO's total fixed remuneration is benchmarked against a peer group of 50 comparable ASX life sciences' companies, TLX's CEO sitting in the bottom quartile in recognition of the Company's start-up status. The remuneration committee does involve the risk committee but in FY20 did not use external advisors beyond basic benchmarking activity. However, the Company is considering this currently for the FY21 remuneration review.

For FY20 TLX used an Equity Incentive Plan (EIP) which covers both Short Term Incentives (STIs) and Long Term Incentives (LTIs). The Company believes its remuneration schemes have been 'generally consistent with start-up listed life sciences companies'. In FY20 the CEO received \$351,787 in fixed remuneration; an STI of \$86,607 being 91% of his potential STI (30% of his fixed remuneration); and an LTI of \$46,473 reflecting the fair value of options that are on issue to the CEO.

Using options (which can be valued only by 'fair value') for incentive payments, rather than performance rights, is unusual and the ASA would encourage TLX to move to performance rights, which can be judged at 'face value'. The CEO's remuneration package is reasonable and the LTI's five year performance period is acceptable. While TLX does not want to disclose specific STI key performance indicators on the grounds of revealing commercial in confidence information, the ASA would like to see those KPIs revealed after the fact.

On balance, the ASA finds TLX's remuneration plan acceptable but needing to evolve as the Company moves onto a commercial footing.

Item 2	Re-election of Dr Andreas Kluge as a Director
ASA Vote	For

Summary of ASA Position

Being one of the Company's founders (together with CEO Christian Behrenbruch), Germany-based Dr Kluge holds 24.6M shares (zero options) and is paid a modest \$65.7k in fees. He was appointed an executive director in January 2017 and in a planned transition moved to the non-executive director role in June 2020. Dr Kluge has extensive experience in nuclear medicine, radiochemistry, molecular imaging and the clinical development of 'novel' radionuclide-based products. A registered physician, he holds a doctorate in medicine from the Free University of Berlin. Dr Kluge is general manager and medical director for a full service contract research organization but holds no other executive or non-executive positions.

Item 3	Approval of issue of Options to CEO Dr Christian Behrenbruch
ASA Vote	For

Summary of ASA Position

Approval is being sought to offer the CEO 100,708 share options under the Telix Equity Incentive Plan. The options will vest and become exercisable upon achievement, commencing 1 January 2021 of \$100m in cumulative revenue from product sales. Upon vesting and exercise one share will be allocated for each incentive option exercised. Those options are exercisable at \$4.38 each and will expire and lapse on 26 January 2026. It's been noted in the Resolution 1 Remuneration Report comments that while the ASA would encourage changes to TLX's plan, the CEO's salary package is relatively modest and so voted 'for'.

Item 4	Approval of aggregate remuneration for non-Executive Directors
ASA Vote	For

Summary of ASA Position

Shareholder approval is sought to increase the maximum aggregate remuneration for NEDs from \$500,00 to \$700,000. That amount would be divided among the NEDs in a manner determined by the Board. The increase would allow the relatively modest NED fees to be increased while it would also enable the Board to appoint an additional director in-line with the Board's ongoing review of its composition, diversity, experience and expertise.

Item 5	Approval of issue of Shares in connection with the partnership with China Grand Pharma
ASA Vote	For

Summary of ASA Position

On 2 November 2020 TLX announced it had entered into a strategic commercial partnership with China Grand Pharmaceutical and Healthcare Holdings (CGP) for TLX's portfolio of MTR products. CGP made a simultaneous one-time strategic equity investment of \$25m in the form of a private placement to a CGP subsidiary of 20.9m shares at \$1.69 (10-day VWAP). The CGP shares are subject to a holding lock and will not be able to be traded for 12 months from the issue date (5 November 2020). CGP is subject to a 'standstill' provision and is unable to trade in TLX shares for 12 months. Approval for the issue of the shares will mean they will be excluded in calculating the Company's 15% limit (Listing Rule 7.1) in order that further issue of equity securities will not require shareholder approval should it exceed the 15% limit.

Item 6	Approval of issue of Shares in connection with acquisition of TheraPharm GmbH
ASA Vote	For

Summary of ASA Position

On 14 December TLX acquired all of the issued capital of TheraPharm GmbH for \$16.6m from Scintec Diagnostics GmbH. The upfront consideration comprised 4.3m shares (Scintec Shares) and \$322,000 cash. The Scintec shares were issued at \$3.75 based on the 10-day VWAP. Approval for the issue of the Scintec shares will mean they will be excluded in calculating the Company's 15% limit (Listing Rule 7.1) in order that further issue of equity securities will not require shareholder approval should it exceed the 15% limit.

Item 7	Adoption of Telix Equity Incentive Plan
ASA Vote	For

Summary of ASA Position

If passed, the resolution will enable the Company to issue a limited number of securities under the the Telix Equity Incentive Plan to eligible participants over a period of three years without impacting on the Company's ability to issue up to 15% of its total ordinary shares without shareholder approval in any 12 month period.

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