Two Small-Cap Stocks To Consider For Your Portfolio

BY ACE INVESTORS / 13 AUGUST 2020

Reading Time: 10 Mins

By Team Ace Investors

Stock Code	ASX: DXB
Shares O/S	197.75 million
Closing Price	AUD 0.485
Market Cap	96.9 million
52 High/Low	0.595/0.087
One Year Stock Performance	362%
Avg volume (TTM)	1.33 million
EPS (TTM)	-0.027
P/E	-
Annual Dividend Yield	-
Franking	-
Last Dividend Ex-Date	-
Last Dividend Pay Date	-
DPS (AUD)	-
ROE %	-

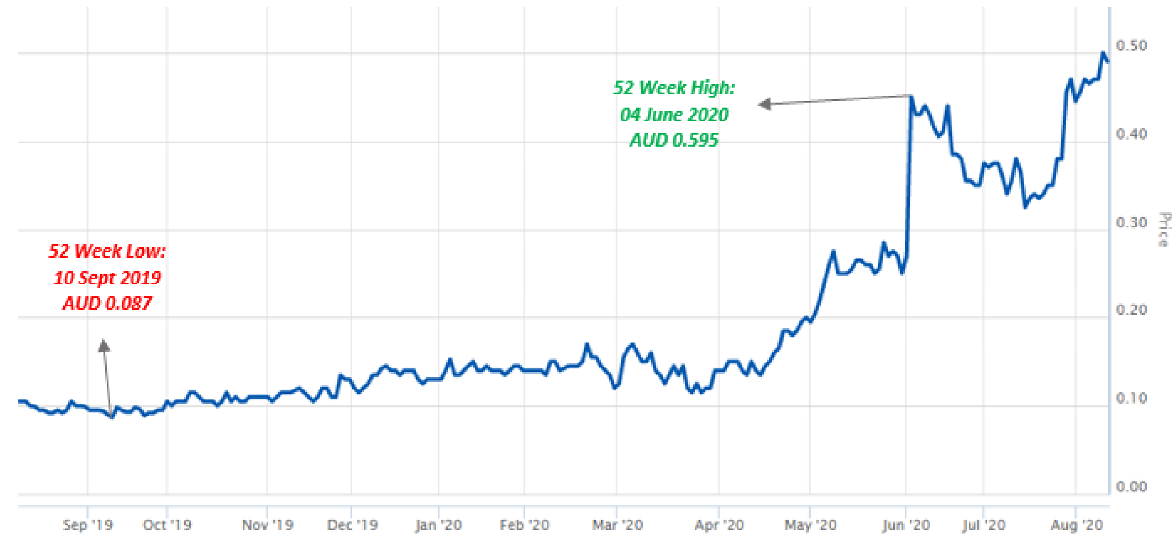
Dimerix Limited – Clinical-Stage Biopharma Stock Posting Positive Trial Results

COMPANY OVERVIEW: Dimerix Limited **("Dimerix" or the "Company**) is a clinical stage biopharmaceutical company with a scalable, proprietary platform technology called Receptor-HIT. Dimerix develops and commercialises patient preferred pharmaceutical products for global markets using its innovative receptor technology to identify and develop drugs in areas with an unmet need.

Dimerix has successfully used the Receptor-HIT technology to identify a novel treatment (DMX-200) that may transform the lives of patients with Kidney Disease.

On 29th July 2020, the Company announced positive top-line results from the Phase 2a ACTION study of DMX-200 for the treatment of focal segmental glomerulosclerosis (FSGS), a rare kidney disorder without an approved pharmacologic treatment that often leads to end-stage kidney failure.

One Year Stock Price Performance



Source: ASX

Despite COVID-19 global pandemic, the Company has gained material traction and momentum across all of its target activities through the quarter, executing in line with the strategic plan. At current levels, the share price chart is very strong.

INVESTMENT RATIONALE

- **Strong Balance Sheet Position –** As at 30th June 2020, the Company operates with cash of $7.8 million ($2.47 million at 31 March 2020), with net operating cash outflows for the period of $1.2 million ($1.39 million in the prior quarter) and and total net operating cash outflows for the 2020 financial year of $4.73 million. The increase in cash for the period was a result of a successful $5.8 million capital raise, which was strongly supported by Institutions, as well as new and existing sophisticated and professional investors. It was also the first time institutions have bought into the Company. Additionally, Dimerix entered into a non-dilutive funding agreement with Radium Capital, providing $1.02 million in prepayment of the Company's R&D tax incentive claim.
- **Strong Pipeline** – Dimerix has multiple assets in commercially attractive and growing markets that have a high unmet need, and with no current marketed competition, and with a potential fast pathway to market. Dimerix has two Phase 2 clinical studies underway: DMX-200 for FSGS (top line positive data announced on 29th July 2020); and DMX-200 for Diabetic Kidney Disease (last patient scheduled to receive last dose in July 2020), DMX-700 for chronic obstructive pulmonary disease (COPD), and DMX-200 in Acute Respiratory Distress Syndrome (ARDS) in patients with COVID-19. Dimerix believes DMX-200 has the potential to significantly reduce the costly and time-consuming burden the global disease has on patients and the healthcare system.
- **Huge Addressable Market in COPD** – The global COPD treatment market was valued at US$14 billion in 2017 and is projected to increase at a compound annual growth rate of 4.9% to 2026.

ACE's RECOMMENDATION

The Company is currently developing its proprietary product DMX-200 for Diabetic Kidney Disease, Focal Segmental Glomerulosclerosis (FSGS) and Acute Respiratory Distress Syndrome (ARDS).The positive results of the Phase 2a FSGS study, together with the positive outcomes of the Company's prior Phase 2a study in Chronic Kidney Disease validates Dimerix' lead candidate, DMX-200, in sclerotic kidney diseases.

The Company continues to consistently demonstrate its ability to plan, develop, execute and deliver on its strategic goals. The Company operates with strong balance sheet which will the Company in supporting activities associated with the global REMAP-CAP study of DMX-200 in Acute Respiratory Distress Syndrome (ARDS) in patients with COVID-19 as well as the next stage of development for the renal program.

In the first half of CY21 the Company plans to commence the investigational new drug process with the FDA in the USA. The stock is continuously moving in upward trajectory, we believe that the share price is likely to continue rising over the near term as it moves closer to production. At current levels, we would like to recommend **BUY** rating on the stock.

Stock Code	ASX: ICQ
Shares O/S	430.62 million
Closing Price	AUD 0.30
Market Cap	127.03 million
52 High/Low	0.48/0.125
One Year Stock Performance	54%
Avg volume (TTM)	0.33 million
EPS (TTM)	-0.027
P/E	-
Annual Dividend Yield	-
Franking	-
Last Dividend Ex-Date	-
Last Dividend Pay Date	-
DPS (AUD)	-
ROE %	-

iCar Asia Limited – With Restrictions Easing Off, Strong Demand Coming Back to Its Platforms

COMPANY OVERVIEW: iCar Asia Limited **(“ICQ or the “Company**) provide a platform that has a potential to connect more than 600 million car buyers and sellers throughout ASEAN. The Company owns and operates ASEAN No. 1 network of automotive shopping portals operating in the three largest automotive markets – Malaysia, Indonesia, and Thailand.

On 3rd July 2020, the Company reported its best ever quarterly Net Operating Cashflow results despite COVID-19. Total Net Operating Cash Outflow for the second quarter was A$1.14 million, improving 36% compared to Q2 2019.

This was 5% ahead of guidance and was the result of the ongoing successful implementation of cash collection initiatives and cost reduction programs across the Group. This cash result included the agreed pay reduction in Q2 2020 for all iCar Asia staff and Board. Payments of all other expenditures were decreased through negotiated discounts and longer payment terms.

One Year Stock Price Performance

Source: ASX

With the COVID-19 uncertainty, the stock has shown some correction in the month of March and touched its 52 week low level of $0.125. Since then, the stock has again started its upward movement and has rebounded 140%. At current levels, the share price chart is very strong and is trading at discount to its average 52 week high and low levels.

INVESTMENT RATIONALE:

- **Strong Cash Position –** Cash receipts were down just 24% versus Q1 2020 at A$3.0m as a result of COVID-19. However, activity and cash receipts improved throughout the quarter with the announcement of the relaxation of movement and business restrictions in iCar Asia's two largest markets by revenue, Malaysia and Thailand in early Q2, followed by Indonesia in mid-June. In addition to that, Malaysia Government had announced sales tax exemption on new cars until end of 2020 that is expected to spur the demand for new cars and the related trade in activities for used cars. The Company closed the quarter with A$2.2 million in cash and cash equivalents and also has access to additional funds in the form of a A$5.0 million debt facility that remains undrawn.
- **Strong Operational Metrics** – Dealer metrics remained strong throughout Q2, with Listings and Account volumes showing marginal growth compared to Q2 2019. Audience and Leads recovered throughout Q2, with June monthly averages back to 68% and 86% of Q1 monthly levels respectively. This was achieved despite a reduction of marketing budgets during Q2, with unpaid and mobile app traffic and leads contributing over 88% of the total volumes in each market.
- **Focus on its Core Business Segments** – With the increases in demand towards the end of Q2, the Company will focus on its core business segments of New Car and Used Car. These will be supplemented by new initiatives inspired through COVID-19 including:
- Launching iCar Suite in all markets with an enhanced dealer product.
- The launch of new transactional formats for used car buyers and dealers
- Enhancing the consumer experience, with the launch of user generated used car reviews across the Group

ACE's RECOMMENDATION

With the measures implemented to maintain activities and manage costs during COVID-19, the Company was able to deliver positive growth in sales in H1 2020, with unaudited revenue expected to be A$6.3 million, an increase of 4% compared to H1 2019. With Thailand open throughout Q2 and Malaysia relaxing restrictions in May, both Countries were EBITDA and cashflow positive for Q2 2020 with business slowly getting back to normal coupled with strong cash management.

With business restrictions lifted and the car industry focusing on the recovery from COVID-19, the Company is confident that iCar Asia can play a strong part in helping drive momentum back into the ASEAN automotive industry. With the start of Q3, the Company is witnessing demand coming back to its platforms and are partnering with its key customers and dealers to develop strategies to leverage its digital assets to help drive their businesses forward.

Having sustained the impacts of COVID-19 and maintained its market leading positions, the management is confident that the Company will rebound quickly back to its positive long term trajectory. At current levels, we would like to recommend **BUY** rating on the stock.