

Cynata Therapeutics Limited (CYP-AU)
Rating: Buy

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First Cohort Enrollment Completed in CYP-001 Clinical Trial; Reiterate Buy

Stock Data		11/17/2017	
Price		A\$0.61	
Exchange		ASX	
Price Target		A\$1.50	
52-Week High		A\$0.81	
52-Week Low		A\$0.37	
Enterprise Value (M)		A\$42	
Market Cap (M)		A\$54	
Public Market Float (M)		68.2	
Shares Outstanding (M)		80.0	
3 Month Avg Volume		141,710	
Balance Sheet Metrics			
Cash (M)		A\$11.60	
Total Debt (M)		A\$0.00	
Total Cash/Share		A\$0.14	
Book Value/Share		A\$0.15	
EPS Diluted			
Full Year - Jun	2016A	2017E	2018E
1Q	(0.01)	(0.01)A	--
2Q	(0.02)	(0.01)A	(0.04)
3Q	(0.01)	(0.02)A	--
4Q	(0.02)	(0.04)A	(0.06)
FY	(0.06)	(0.06)A	(0.10)

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Eighth participant dosed in CYP-001 clinical study. Last week, Cynata Therapeutics announced that the eighth participant had been dosed in Cynata's first clinical trial of CYP-001 for the treatment of steroid-resistant graft-versus-host-disease (GvHD), which completes enrollment in Cohort A of the study. Cohort A enrollment completion represents the half-way point in trial recruitment of a potential total of 16 participants. Independent Data Safety Monitoring Board (DSMB) review is to be triggered once this patient reaches Day 28. Participants in Cohort A received two CYP-001 infusions each at the lower dose level (1M cells/kg, up to a maximum of 100M cells per infusion). The DSMB review would determine whether or not the trial would proceed to enrollment of subjects in the second cohort. In Cohort B, it is planned that a further eight participants would receive two CYP-001 infusions each at the higher dose level (2M cells/kg, up to a maximum of 200M cells per infusion).

Valuation methodology and risks. We have used a discounted cash flow (DCF)-based approach that assigns a value of A\$120M to Cynata, based upon the valuation of the platform on collaboration-based revenue only, with a 10 - 16% royalty rate range and 11% discount rate. Our valuation translates into a price of A\$1.50 per share, based on 86M fully-diluted shares outstanding as of end-2018. Risks include, but are not limited to: (1) delays in clinical trial enrollment; (2) inability of Cynata to consummate further strategic partnerships; and (3) adverse results from clinical studies with Cynata's candidates.

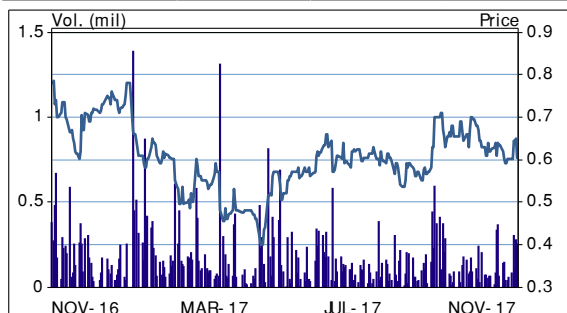


Table 5: Cynata Therapeutics, Inc. (CYP.AX) – Historical Income Statements, Financial Projections

FY end December 31

A\$ in thousands, except per share data

	2015A	2016A	2017A		2017A	2018E		2018E	
			1HA	2HA		1HE	2HE		
Revenue									
Revenue from continuing operations	-	-	-	25	-	(25)	-	-	-
Other income	375	1,247	-	1,749	-	94	1,843	-	-
Total revenue	375	1,247	-	1,774	-	69	1,843	-	-
Operating expenses									
Product development and marketing costs	(1,920)	(4,155)	-	(1,619)	-	(1,853)	(3,473)	-	(2,500)
Employee benefits expenses	(831)	(784)	-	(495)	-	(538)	(1,033)	-	(600)
Share based payments expenses	(429)	(238)	-	(81)	-	(168)	(249)	-	-
Depreciation and amortisation expenses	(448)	(281)	-	(140)	-	(140)	(280)	-	-
Other operational expenses	(459)	(729)	-	(461)	-	(902)	(1,362)	-	-
Total expenses	(4,087)	(6,187)	-	(2,796)	-	(3,601)	(6,397)	-	(3,100)
Gain (loss) from operations	(3,712)	(4,939)	-	(1,021)	-	(3,532)	(4,554)	-	(3,100)
Other income (expense)									
Other income (expense)	-	-	-	-	-	-	-	-	-
Interest income (expense)	-	-	-	-	-	-	-	-	-
Total investment income and other	-	-	-	-	-	-	-	-	-
Loss before income tax	(3,712)	(4,939)	-	(1,021)	-	(3,532)	(4,554)	-	(3,100)
Income tax expense	-	-	-	-	-	-	-	-	-
Net loss	(3,712)	(4,939)	-	(1,021)	-	(3,532)	(4,554)	-	(3,100)
Net loss per share (basic) in cents	(0.06)	(0.07)	-	(0.01)	-	(0.04)	(0.06)	-	(0.04)
Net loss per share (diluted) in cents	(0.06)	(0.07)	-	(0.01)	-	(0.04)	(0.06)	-	(0.04)
Weighted average number of shares outstanding (basic)	60,655	72,447	72,955	80,061	80,061	80,111	80,161	80,211	87,761
Weighted average number of shares outstanding (diluted)	60,655	72,447	72,955	80,061	80,061	80,111	80,161	80,211	87,761

Source: Company reports and H.C. Wainwright & Co. estimates.

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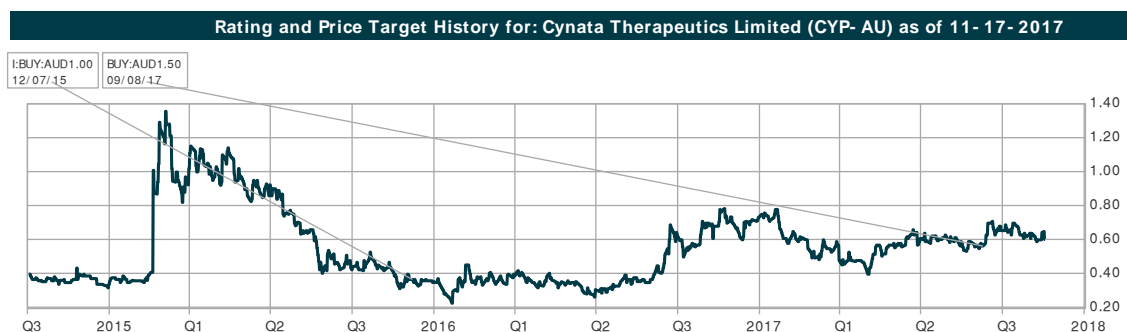
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Distribution of Ratings Table as of November 17, 2017				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	236	91.83%	82	34.75%
Neutral	11	4.28%	0	0.00%
Sell	0	0.00%	0	0.00%
Under Review	10	3.89%	1	10.00%
Total	257	100%	83	32.30%

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