

Cynata Therapeutics Limited (CYP-AU)
Rating: Buy

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Data Safety Monitoring Board Clears Trial to Enter Cohort B; Reiterate Buy

Stock Data		01/22/2018	
Price		A\$0.64	
Exchange		ASX	
Price Target		A\$1.50	
52-Week High		A\$0.77	
52-Week Low		A\$0.37	
Enterprise Value (M)		A\$41	
Market Cap (M)		A\$53	
Public Market Float (M)		69.4	
Shares Outstanding (M)		80.0	
3 Month Avg Volume		99,580	
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)

CYP-001 Phase 1/2 trial cleared to advance to second cohort. Cynata recently announced that the Data Safety Monitoring Board (DSMB) has formally cleared its ongoing trial of the lead product candidate, CYP-001, which utilizes the company's proprietary mesenchymal stem cell (MSC) technology platform, Cymerus, for advancement into a second cohort. All eight participants in Cohort A have demonstrated at least a partial response, which is defined as an improvement in the severity of their graft-vs. host disease (GvHD) by at least one grade vs. baseline. In addition, thus far no treatment-related serious adverse events (SAEs) or safety concerns have been observed. Patient enrollment for Cohort B is now open at seven trial sites in the UK and Australia. In the wake of this update, we reiterate our Buy rating and 12-month price target of A\$1.50 on Cynata shares.

Moving past the halfway point. Cohort A enrollment completion represents the half-way point in trial recruitment of a potential total of 16 participants. Subjects 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). 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.

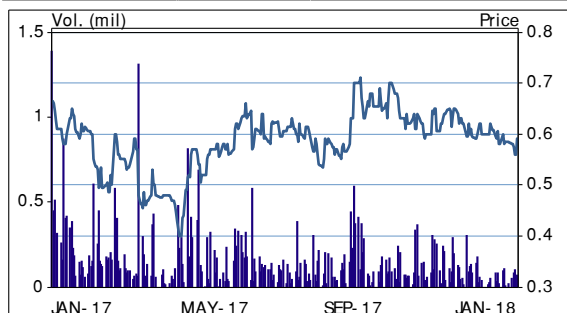


Table 5: Cynata Therapeutics, Inc. (CYP.AX) – Historical Income Statements, Financial Projections

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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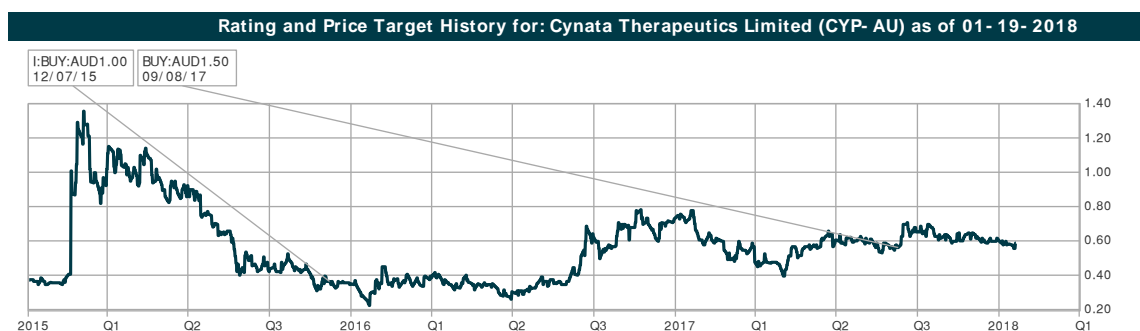
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RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Distribution of Ratings Table as of January 19, 2018					
Ratings	Count	Percent	IB Service/Past 12 Months		
			Count	Percent	
Buy	240	91.60%	91	37.92%	
Neutral	11	4.20%	2	18.18%	
Sell	0	0.00%	0	0.00%	
Under Review	11	4.20%	1	9.09%	
Total	262	100%	94	35.88%	

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