

# Cynata Therapeutics (CYP)

Rating: Buy | Risk: High | Price Target: \$1.20

## Safety Study Provides Early Indication of Safety and Efficacy

### Key Information

Current Price (\$ps)	0.64
12m Target Price (\$ps)	1.20
52 Week Range (\$ps)	0.40 - 0.71
Target Price Upside (%)	89.0%
TSR (%)	89.0%
Reporting Currency	AUD
Market Cap (\$m)	57.2
Sector	Health Care
Avg Daily Volume (m)	0.1
ASX 200 Weight (%)	0%

### Fundamentals

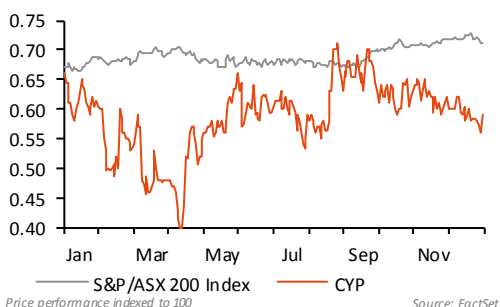
YE 30 Jun (AUD)	FY16A	FY17E	FY18E	FY19E
Sales (\$m)	0.1	0.0	20.6	21.0
NPAT (\$m)	(4.9)	(3.8)	14.4	15.2
EPS (cps)	(6.8)	(4.8)	16.0	16.9
EPS Growth (%)	(12.7%)	29.5%	433.6%	5.6%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

### Ratios

YE 30 Jun	FY16A	FY17E	FY18E	FY19E
P/E (x)	(4.6)	(13.3)	4.0	3.8
EV/EBITDA (x)	(3.7)	(16.0)	3.9	2.7
Div Yield (%)	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%

### Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	6.9%	0.5%	(0.9%)	(24.8%)
Absolute (%)	5.8%	0.8%	0.8%	(18.6%)
Benchmark (%)	(1.1%)	0.3%	1.7%	6.2%



### Major Shareholders

FUJIFILM Corporation	8.9%
Phillip Capital	4.0%
Slukvin, Igor	2.6%
Dixon, Ian	2.5%
Celtic Capital	2.4%

### Darren Vincent | Senior Analyst

+61 2 9238 1269

[dvincent@shawandpartners.com.au](mailto:dvincent@shawandpartners.com.au)

### Matthew Johnston | Analyst

+61 2 9238 1311

[mjohnston@shawandpartners.com.au](mailto:mjohnston@shawandpartners.com.au)

### Event

CYP has reported encouraging early safety and efficacy data in its Phase 1 trial of CYP-001 in GvHD. Shaw and Partners, forecasts, recommendation and 12 month TP (\$1.20) remain unchanged. BUY.

### Highlights

- **Early indications of efficacy, from what is essentially a safety trial, are very encouraging.** All eight participants in Cohort A (lower dose cohort) of CYPs Phase 1 clinical trial of its lead Cymerus™ mesenchymal stem cell (MSC) product CYP-001 have demonstrated at least a partial response (defined as an improvement in the severity of GvHD by at least one grade compared to baseline). This is a very significant outcome given the participants had previously all failed all other treatments and with the administration of a very low dose of CYP-001 have shown at least one grade of improvement in their conditions. No deaths amongst the cohort (apart from a single participant that died of pneumonia) is also very encouraging from an efficacy perspective given the severity of participants conditions.
- **No treatment-related serious adverse events or safety concerns have been identified.** Safety is the primary end point of the trial, the fact that there were no safety issues reported is as good as CYP investors could expect.
- **Data Safety Monitoring Board recommendation to progress** clinical trial to second cohort (Cohort B). Patient enrolment in Cohort B (a higher dose cohort) is now open at seven trial sites in the U.K. and Australia. When CYP began enrolling patients for Cohort A it only had two participating hospitals. With indications of safety and efficacy and the larger base of hospitals now participating in the trial, enrolment for the second cohort should be quicker.
- **A successful Phase 1 will open CYP-001 up to more partnering interest.** With further results from the second cohort in line with what CYP has already shown the company will be on track to showing that its MSCs are at least as safe and effective as MSCs manufactured using first generation processes. This will open the Cymerus production method to commercial uses for multiple indications across therapeutic markets worth billions.

### Recommendation

CYPs clinical trial of CYP-001 is the first clinical trial in which patients have been treated with an allogeneic, induced pluripotent stem cell (iPSC)-derived therapeutic MSC product. The data it is developing, supported by data from external groups around MSCs, increasingly point towards validation of CYPs process for producing MSCs and that CYPs process increasingly looks to be the only likely viable MSC solution for large scale clinical applications. Our valuation, based on a discounted cash flow of GvHD and Chron's disease only, determines a value of A\$1.20 per share which values the company well below recent relevant acquisition prices. BUY.

## Cynata Therapeutics

### Health Care

### Pharmaceuticals, Biotechnology & Life Sciences

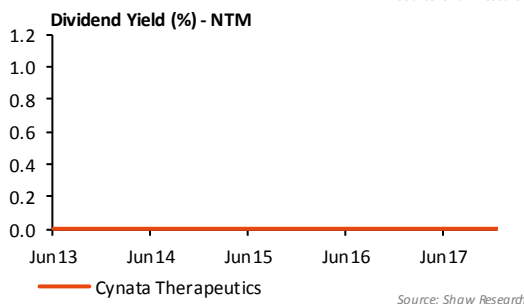
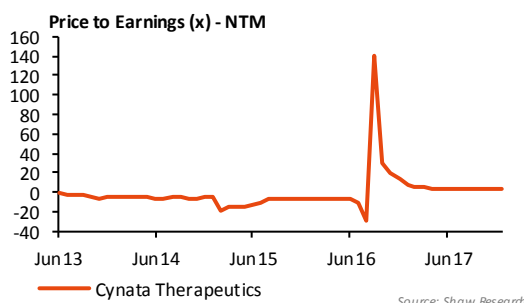
FactSet: CYP-AU / Bloomberg: CYP AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.64
Target Price (\$ps)	1.20
52 Week Range (\$ps)	0.40 - 0.71
Shares on Issue (m)	90.1
Market Cap (\$m)	57.2
Enterprise Value (\$m)	57.5
TSR (%)	89.0%

Valuation NPV	Data
Beta	1.85
Cost of Equity (%)	14.3%
Cost of Debt (net) (%)	7.5%
Risk Free Rate (%)	5.0%
Terminal Growth (%)	3.0%
WACC (%)	18.9%

### Company Description

Cynata Therapeutics Ltd. is an stem cell and regenerative medicine company, which develops a therapeutic stem cell platform technology, Cymerus™, using discoveries made at the University of Wisconsin-Madison. The company was founded on March 12, 2003 and is headquartered in Armadale, Australia.



## Financial Year End: 30 June

Investment Summary (AUD)	FY15A	FY16A	FY17E	FY18E	FY19E
EPS (Reported) (cps)	(6.0)	(6.8)	(4.8)	16.0	16.9
EPS (Underlying) (cps)	(6.0)	(6.8)	(4.8)	16.0	16.9
EPS (Underlying) Growth (%)	49.8%	(12.7%)	29.5%	433.6%	5.6%
PE (Underlying) (x)	(15.4)	(4.6)	(13.3)	4.0	3.8
EV / EBIT (x)	(16.5)	(3.5)	(15.0)	4.1	2.7
EV / EBITDA (x)	(18.7)	(3.7)	(16.0)	3.9	2.7
DPS (cps) (AUD)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	(3.9%)	(19.2%)	(9.2%)	(2.6%)	30.7%
Profit and Loss (AUD) (m)	FY15A	FY16A	FY17E	FY18E	FY19E
Sales	0.0	0.1	0.0	20.6	21.0
Sales Growth (%)			(79.7%)	81,087.5%	1.8%
Other Operating Income	0.3	1.0	1.7	0.0	0.0
EBITDA	(3.4)	(4.8)	(3.6)	15.0	15.2
EBITDA Margin (%)	nm	nm	nm	72.9%	72.3%
Depreciation & Amortisation	(0.4)	(0.3)	(0.2)	(0.7)	0.0
EBIT	(3.8)	(5.1)	(3.8)	14.4	15.2
EBIT Margin (%)	nm	nm	nm	69.8%	72.3%
Net Interest	0.1	0.1	0.0	0.0	0.0
Pretax Profit	(3.7)	(4.9)	(3.8)	14.4	15.2
Tax	0.0	0.0	0.0	0.0	0.0
Tax Rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT Underlying	(3.7)	(4.9)	(3.8)	14.4	15.2
Significant Items	0.0	0.0	0.0	0.0	0.0
NPAT Reported	(3.7)	(4.9)	(3.8)	14.4	15.2
Cashflow (AUD) (m)	FY15A	FY16A	FY17E	FY18E	FY19E
EBIT	(3.8)	(5.1)	(3.8)	14.4	15.2
Tax Paid	0.0	0.0	0.0	0.0	0.0
Net Interest	0.1	0.1	0.0	0.0	0.0
Other	1.1	0.6	(1.5)	(15.9)	2.4
Operating Cashflow	(2.6)	(4.3)	(5.3)	(1.5)	17.6
Capex	0.0	0.0	0.0	0.0	0.0
Acquisitions and Investments	0.0	0.0	0.0	0.0	0.0
Disposal of Fixed Assets/Investments	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Investing Cashflow	0.0	0.0	0.0	0.0	0.0
Free Cashflow	(2.6)	(4.3)	(5.3)	(1.5)	17.6
Equity Raised / Bought Back	2.2	5.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0	0.0	0.0
Other	0.0	(0.5)	0.0	0.0	0.0
Financing Cashflow	2.2	4.5	0.0	0.0	0.0
Net Change in Cash	(0.4)	0.2	(5.2)	(1.5)	17.6
Balance Sheet (AUD) (m)	FY15A	FY16A	FY17E	FY18E	FY19E
Cash	4.7	4.9	(0.4)	(1.8)	15.7
Accounts Receivable	0.0	0.1	0.0	16.4	14.0
Inventory	0.0	0.0	0.0	0.0	0.0
Other Current Assets	0.0	0.0	0.0	0.0	0.0
PPE	0.0	0.0			
Goodwill & Intangibles	4.4	4.1	3.9	3.2	3.2
Investments	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0			
Total Assets	9.1	9.0			
Accounts Payable	0.3	0.4	0.3	0.3	0.3
Short Term Debt	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	0.0	0.0	0.0
Income Taxes Payable	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.1	0.0	0.0	0.0
Total Liabilities	0.4	0.5	0.3	0.3	0.3
Ratios	FY15A	FY16A	FY17E	FY18E	FY19E
ROE (%)	(35.1%)	(53.8%)			
Gearing (%)	(114.5%)	(129.7%)			
Net Debt / EBITDA (x)	1.4	1.0	(0.1)	0.1	(1.0)

## Contacts Page

### Equities

<b>Head of Equities</b>	Mike Ryan	+612 9238 1527	<a href="mailto:mryan@shawandpartners.com.au">mryan@shawandpartners.com.au</a>
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### Chief Investment Officer

	Martin Crabb	+612 9238 1352	<a href="mailto:mcrabb@shawandpartners.com.au">mcrabb@shawandpartners.com.au</a>
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### Research

Retailers, Technology	Danny Younis	+612 9238 1292	<a href="mailto:dyounis@shawandpartners.com.au">dyounis@shawandpartners.com.au</a>
Technology, Life Sciences, Industry Consolidators	Darren Vincent	+612 9238 1269	<a href="mailto:dvincent@shawandpartners.com.au">dvincent@shawandpartners.com.au</a>
Consumer Discretionary, Info Technology	Jonathon Higgins	+613 9268 1182	<a href="mailto:jhiggins@shawandpartners.com.au">jhiggins@shawandpartners.com.au</a>
Aged Care, Media, Software	Matthew Johnston	+612 9238 1311	<a href="mailto:mjohnston@shawandpartners.com.au">mjohnston@shawandpartners.com.au</a>
Executive Assistant, Corporate Access	Melody Matthews	+612 9238 1299	<a href="mailto:mmatthews@shawandpartners.com.au">mmatthews@shawandpartners.com.au</a>
Metals & Mining	Peter O'Connor	+612 9238 1219	<a href="mailto:poconnor@shawandpartners.com.au">poconnor@shawandpartners.com.au</a>
Real Estate	Peter Zuk	+612 9238 1211	<a href="mailto:pzuk@shawandpartners.com.au">pzuk@shawandpartners.com.au</a>
Oil & Gas	Stuart Baker	+613 9268 1148	<a href="mailto:sbaker@shawandpartners.com.au">sbaker@shawandpartners.com.au</a>

### Income Strategies

	Cameron Duncan	+612 9238 1544	<a href="mailto:cduncan@shawandpartners.com.au">cduncan@shawandpartners.com.au</a>
	Steve Anagnos	+612 9238 1513	<a href="mailto:sanagnos@shawandpartners.com.au">sanagnos@shawandpartners.com.au</a>

### Institutional Equities

	David Erskine	+613 9268 1061	<a href="mailto:derskine@shawandpartners.com.au">derskine@shawandpartners.com.au</a>
	John Bowie Wilson	+612 9238 1253	<a href="mailto:jbowiewilson@shawandpartners.com.au">jbowiewilson@shawandpartners.com.au</a>
	Phillip Janis	+612 9238 1503	<a href="mailto:pjanis@shawandpartners.com.au">pjanis@shawandpartners.com.au</a>
	Rob Pizzichetta	+613 9268 1174	<a href="mailto:rpizzichetta@shawandpartners.com.au">rpizzichetta@shawandpartners.com.au</a>
	Roger Gamble	+613 9268 1107	<a href="mailto:rgamble@shawandpartners.com.au">rgamble@shawandpartners.com.au</a>
	Sam Kanaan	+612 9238 1275	<a href="mailto:skanaan@shawandpartners.com.au">skanaan@shawandpartners.com.au</a>
	Scott Coventry	+612 9238 1363	<a href="mailto:scoventry@shawandpartners.com.au">scoventry@shawandpartners.com.au</a>

### Corporate Finance

<b>Head of Corporate Finance</b>	Geoff Carrick	+612 9238 1339	<a href="mailto:gcarrick@shawandpartners.com.au">gcarrick@shawandpartners.com.au</a>
	Damian Rigney	+612 9238 1398	<a href="mailto:drigney@shawandpartners.com.au">drigney@shawandpartners.com.au</a>
	David Kells	+612 9238 1362	<a href="mailto:dkells@shawandpartners.com.au">dkells@shawandpartners.com.au</a>
	Edward Loneragan	+612 9238 1283	<a href="mailto:eloneragan@shawandpartners.com.au">eloneragan@shawandpartners.com.au</a>
	George Kopsiaftis	+612 9238 1597	<a href="mailto:gkopsiaftis@shawandpartners.com.au">gkopsiaftis@shawandpartners.com.au</a>
	Grace Belsito	+612 9238 1226	<a href="mailto:gbelsito@shawandpartners.com.au">gbelsito@shawandpartners.com.au</a>
	Robert Hallam	+612 9238 1594	<a href="mailto:rhallam@shawandpartners.com.au">rhallam@shawandpartners.com.au</a>
	Jeremy D'Sylva	+612 9238 1239	<a href="mailto:jdsylva@shawandpartners.com.au">jdsylva@shawandpartners.com.au</a>

**Sydney | Head Office**  
L15, 60 Castlereagh Street  
Sydney NSW 2000  
Telephone: +61 2 9238 1238  
Fax: +61 2 9232 1296  
Toll Free: 1800 636 625

**Melbourne**  
L20, 90 Collins Street  
Melbourne VIC 3000  
Telephone: +61 3 9268 1000  
Fax: +61 3 9650 2277  
Toll Free: 1800 150 009

**Brisbane**  
L28, 111 Eagle Street  
Brisbane QLD 4000  
Telephone: +61 7 3036 2500  
Fax: +61 7 3036 2599  
Toll Free: 1800 463 972

**Perth**  
L14, 197 St Georges Terrace  
Perth WA 6000  
Telephone: +61 8 6188 7643  
Fax: +61 8 6188 7607  
Toll Free: 1800 636 625

**Adelaide**  
L21, 25 Grenfell Street  
Adelaide SA 5000  
Telephone: +61 8 7109 6000  
Fax: +61 2 9232 1296  
Toll Free: 1800 636 625

**Canberra**  
L1, 18 National Circuit  
Barton ACT 2600  
Telephone: +61 2 6113 5300  
Fax: +61 2 6113 5399  
Toll Free: 1800 636 625

## Rating Classification

<b>Buy</b>	Expected to outperform the overall market
<b>Hold</b>	Expected to perform in line with the overall market
<b>Sell</b>	Expected to underperform the overall market
<b>Not Rated</b>	Shaw has issued a factual note on the company but does not have a recommendation

## Risk Rating

<b>High</b>	Higher risk than the overall market – investors should be aware this stock may be speculative
<b>Medium</b>	Risk broadly in line with the overall market
<b>Low</b>	Lower risk than the overall market

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<b>Sydney   Head Office</b> L15, 60 Castlereagh Street Sydney NSW 2000 Telephone: +61 2 9238 1238 Fax: +61 2 9232 1296 Toll Free: 1800 636 625	<b>Melbourne</b> L20, 90 Collins Street Melbourne VIC 3000 Telephone: +61 3 9268 1000 Fax: +61 3 9650 2277 Toll Free: 1800 150 009	<b>Brisbane</b> L28, 111 Eagle Street Brisbane QLD 4000 Telephone: +61 7 3036 2500 Fax: +61 7 3036 2599 Toll Free: 1800 463 972	<b>Perth</b> L14, 197 St Georges Terrace Perth WA 6000 Telephone: +61 8 6188 7643 Fax: +61 8 6188 7607 Toll Free: 1800 636 625	<b>Adelaide</b> L21, 25 Grenfell Street Adelaide SA 5000 Telephone: +61 8 7109 6000 Fax: +61 2 9232 1296 Toll Free: 1800 636 625	<b>Canberra</b> L1, 18 National Circuit Barton ACT 2600 Telephone: +61 2 6113 5300 Fax: +61 2 6113 5399 Toll Free: 1800 636 625
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