

# Cynata Therapeutics (CYP)

Rating: Buy | Risk: High | Price Target: \$2.50

## Highly Encouraging Safety and Efficacy Data Further De Risks Cynata

### Key Information

Current Price (\$ps)	1.37
12m Target Price (\$ps)	2.50
52 Week Range (\$ps)	0.54 - 1.54
Target Price Upside (%)	83.2%
TSR (%)	83.2%
Reporting Currency	AUD
Market Cap (\$m)	122.9
Sector	Health Care
Avg Daily Volume (m)	0.1
ASX 200 Weight (%)	0%

### Fundamentals

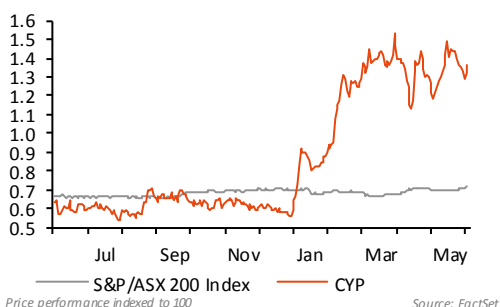
YE 30 Jun (AUD)	FY17A	FY18E	FY19E	FY20E
Sales (\$m)	0.1	0.1	12.6	20.3
NPAT (\$m)	(4.9)	(5.0)	9.1	16.7
EPS (cps)	(6.8)	(5.5)	10.2	18.5
EPS Growth (%)	0.0%	18.4%	283.2%	82.1%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

### Ratios

YE 30 Jun	FY17A	FY18E	FY19E	FY20E
P/E (x)	(9.0)	(24.6)	13.4	7.4
EV/EBITDA (x)	(9.3)	(26.2)	12.9	5.6
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 (%)	2.6%	(8.7%)	1.1%	105.0%
Absolute (%)	5.0%	(2.5%)	5.8%	115.0%
Benchmark (%)	2.4%	6.2%	4.7%	10.0%



### Major Shareholders

FUJIFILM Corporation	8.5%
Phillip Capital	2.8%
King, John	2.6%
Slukvin, Igor	2.5%

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### Event

CYP has reported positive 28-day Data from Cohort B of its Phase 1 Trial of CYP-001 in GvHD. The data is very encouraging and should support the advancement of CYP-001 into a Phase 2 trial in GvHD, potentially opens it up to being trialled in a wider range of indications and could possibly bring forward partnering. Shaw and Partners forecasts and recommendation remain unchanged. Our 12 month TP is raised to \$2.50 (from \$1.95) based on the lower risk that now exists taking CYP-001 forward. BUY.

### Highlights

- CYP has announced positive safety and efficacy data** from a day 28 analysis of patients in Cohort B of its Phase 1 clinical trial of CYP-001, the Company's lead Cymerus™ mesenchymal stem cell (MSC) product candidate, in steroid-resistant acute graft-versus-host disease (GvHD). Overall Response rate by Day 28 was 86% (six out of seven patients treated with CYP-001 showed an improvement in the severity of GvHD by at least one grade compared to baseline) Complete Response rate by Day 28 was 57% (GvHD signs/symptoms completely resolved in four out of seven patients treated with CYP-001) Higher dose of CYP-001 administered in Cohort B elicited a faster response than the lower dose in Cohort A: by Day 28, Cohort A had a Complete Response rate of 12.5%, compared to 57% in Cohort B.
- First GvHD cohort results were strong and subsequent 100 day data was even stronger.** CYP announced results from the first cohort of 8 patients in its Phase 1 clinical trial in January. Early indications of efficacy, from what is essentially a safety trial, were very encouraging. All eight participants in Cohort A (lower dose cohort) of CYPs Phase 1 clinical trial demonstrated at least a partial response (defined as an improvement in the severity of GvHD by at least one grade compared to baseline). Since then, following completion of the Primary Evaluation Period (100 days), CYP has announced an improvement in the efficacy data above the initial results announced in January. Overall survival at day 100 was 87.5%. Overall Response rate by day 100 was 100% (all eight participants showed an improvement in the severity of GvHD) Complete Response rate by day 100 was 50% (GvHD signs/symptoms completely resolved in four out of eight patients). No treatment related serious adverse events or safety concerns were identified during the Primary Evaluation Period. Typically the prognosis for these patients is poor, with mortality rates in excess of 90%.
- CYP has been significantly de risked.** Phase 1 trials don't usually show signs of efficacy, however because CYP's subjects actually have GvHD its phase 1 trial has provided a strong efficacy signal. Phase 2 trials in GvHD will enrol similarly progressed GvHD patients albeit in greater numbers and with CYP-001 showing itself to be very active and potent strong future efficacy results are now increasingly likely. This has implications for partnering, the likelihood of trials in other indications which feeds into our valuation and the risk adjustment on our valuation. With 8 – 900 MSC trials being conducted world-wide in ~60 indications there is now an increased expectation of CYP's MSCs being trialled / partnered in a broad range of other indications.

### Recommendation

CYPs clinical trial of CYP-001, the first clinical trial ever in which patients have been treated with an allogeneic, induced pluripotent stem cell (iPSC)-derived therapeutic MSC product, has produced excellent first and second cohort results which we believe has de risked CYP and generated increased partnering interest. The data produced is not only good for CYP's GvHD aspirations but more importantly points towards validation of CYPs Cymerus™ platform (its process for producing MSCs) and that it increasingly looks to be the only likely viable MSC solution for large scale clinical applications. Following CYPs successful phase 1 second cohort read out we have again lowered the risk weighting we factor into our DCF valuation which based on GvHD and Crohn's disease only, determines a value of A\$2.50 per share (up from A\$1.20 prior to first cohort results) which continues to value CYP well below recent relevant acquisition prices. BUY.

## Cynata Therapeutics

### Health Care

### Pharmaceuticals, Biotechnology & Life Sciences

FactSet: CYP-AU / Bloomberg: CYP AU

#### Key Items

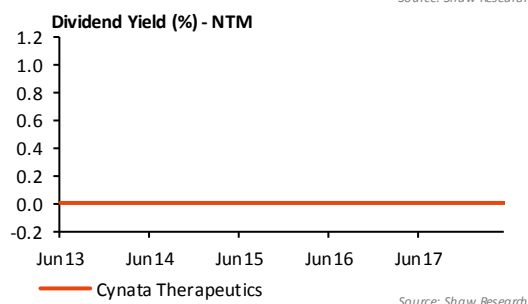
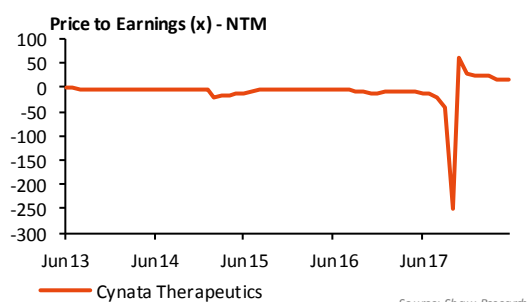
Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	1.37
Target Price (\$ps)	2.50
52 Week Range (\$ps)	0.54 - 1.54
Shares on Issue (m)	90.1
Market Cap (\$m)	122.9
Enterprise Value (\$m)	118.7
TSR (%)	83.2%

#### Valuation NPV

Valuation NPV	Data
Beta	1.50
Cost of Equity (%)	12.5%
Cost of Debt (net) (%)	7.5%
Risk Free Rate (%)	5.0%
Terminal Growth (%)	3.0%
WACC (%)	16.2%

#### Company Description

Cynata Therapeutics Ltd. is a 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 IPO'd in November 2013 and is headquartered in Carlton, Australia.



## Financial Year End: 30 June

Investment Summary (AUD)	FY16A	FY17A	FY18E	FY19E	FY20E
EPS (Reported) (cps)	(6.8)	(6.8)	(5.5)	10.2	18.5
EPS (Underlying) (cps)	(6.8)	(6.8)	(5.5)	10.2	18.5
EPS (Underlying) Growth (%)	(12.7%)	0.0%	18.4%	283.2%	82.1%
PE (Underlying) (x)	(4.6)	(9.0)	(24.6)	13.4	7.4
EV / EBIT (x)	(3.5)	(8.8)	(23.8)	12.9	5.6
EV / EBITDA (x)	(3.7)	(9.3)	(26.2)	12.9	5.6
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 (%)	(19.2%)	(7.9%)	(5.0%)	0.2%	20.6%
Profit and Loss (AUD) (m)	FY16A	FY17A	FY18E	FY19E	FY20E
Sales	0.1	0.1	0.1	12.6	20.3
Sales Growth (%)		0.0%	(38.3%)	16,233.9%	61.5%
Other Operating Income	1.0	1.0	1.4	2.8	1.4
EBITDA	(4.8)	(4.8)	(4.5)	9.1	16.7
EBITDA Margin (%)	nm	nm	nm	72.6%	81.8%
Depreciation & Amortisation	(0.3)	(0.3)	(0.5)	0.0	0.0
EBIT	(5.1)	(5.1)	(5.0)	9.1	16.7
EBIT Margin (%)	nm	nm	nm	72.6%	81.8%
Net Interest	0.1	0.1	0.0	0.0	0.0
Pretax Profit	(4.9)	(4.9)	(5.0)	9.1	16.7
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	(4.9)	(4.9)	(5.0)	9.1	16.7
Significant Items	0.0	0.0	0.0	0.0	0.0
NPAT Reported	(4.9)	(4.9)	(5.0)	9.1	16.7
Cashflow (AUD) (m)	FY16A	FY17A	FY18E	FY19E	FY20E
EBIT	(5.1)	(5.1)	(5.0)	9.1	16.7
Tax Paid	0.0	0.0	0.0	0.0	0.0
Net Interest	0.1	0.1	0.1	0.0	0.0
Other	0.6	0.6	(1.2)	(8.9)	8.7
Operating Cashflow	(4.3)	(4.3)	(6.1)	0.3	25.4
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	(4.3)	(4.3)	(6.1)	0.3	25.4
Equity Raised / Bought Back	5.0	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	(0.5)	(0.5)	0.0	0.0	0.0
Financing Cashflow	4.5	4.5	0.0	0.0	0.0
Net Change in Cash	0.2	0.2	(6.1)	0.3	25.4
Balance Sheet (AUD) (m)	FY16A	FY17A	FY18E	FY19E	FY20E
Cash	4.9	10.3	4.3	4.5	29.9
Accounts Receivable	0.1	0.1	0.0	9.0	0.4
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	4.1	3.8	3.3	3.3	3.3
Investments	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0			
Total Assets	9.0	14.3			
Accounts Payable	0.4	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	0.1	0.0	0.0	0.0	0.0
Total Liabilities	0.5	0.4	0.3	0.3	0.3
Ratios	FY16A	FY17A	FY18E	FY19E	FY20E
ROE (%)	(53.8%)	(41.1%)			
Gearing (%)	(129.7%)	(278.5%)			
Net Debt / EBITDA (x)	1.0	2.2	0.9	(0.5)	(1.8)

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<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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