

Full Year 2022 Results

1 June 2023

Kinarus has published its Annual Report for 2022. The challenging funding environment has delayed the start of clinical studies for KIN001 in wAMD and IPF, however, the report suggests that Kinarus' focus is returning to these indications, with hints of interest from potential investors and partners. The KINFAST trial in COVID-19 remains ongoing.

Financial results 2022

Kinarus' report on 2022 presented restated financials for FY 2021 which had been influenced by the reverse takeover ("RTO") transaction and SIX listing with Perfect Holding. Our financials now include Kinarus's reported numbers for FY 2021 and 2022. The net loss for the year was CHF 34.7m compared to CHF 143k in FY 2021. The increase is due to the Phase 2 KINFAST study in mild-to-moderate COVID-19 patients (which is partially funded by the Swiss government), and the costs of the RTO transaction. Cash at the end of FY 2022 was CHF 1.3m compared to CHF 0.1m at the end of FY 2021. This does **not include** the recent CHF 1.5m convertible loan from CDIM described in [our previous note](#), which is expected to fund operations into 2024.

The challenging funding environment for life sciences has resulted in a number of difficult decisions for Kinarus. The termination of the Phase 2 KINETIC study in hospitalised COVID-19 patients resulted in a significant fall in Kinarus' share price despite continuation of the Phase 2 KINFAST study. As a result, the board of Kinarus took the difficult decision to write-down the value of Kinarus' intangible assets by CHF 38m to reflect the share price fall since the RTO. **While there appears to be interest in KIN001 in idiopathic pulmonary fibrosis ("IPF")** and probably wet age-related macular degeneration ("wAMD") by potential investors, at least in China, Kinarus will not start clinical studies in these indications without further funding. Kinarus' Board and management should be commended for these difficult decisions. Many small biotechnology companies would start a clinical study without sufficient resources to see it through and would defer a decision to impair intangible assets.

The purpose of the CDIM loan is to aid a licensing transaction of KIN001 in China for IPF. The narrative in Kinarus' annual report suggests that its focus has returned to IPF and likely wAMD. This strikes us as sensible, partly because the CDIM transaction confirms that there is likely partner interest IPF. The Kinarus report also hinted that the timing is right to deemphasize efforts in COVID due to decreasing rate of infection and thus, the difficulty in demonstrating efficacy; likely one of the reasons that led to termination of the Phase 2 KINETIC study in hospitalized patients. This has probably not been appreciated by investors.

Valuation unchanged

Kinarus' cash balance and share count are the only changes to our fair valuation which moves from CHF96.0m to CHF93m, or CHF0.093 per share.

Summary Financials				
CHF '000s, y/e 31 Dec	2019A	2020A	2021A	2022A
Revenues				
EBIT	(2,267)	(1,522)	(410)	(40,047)
Basic EPS, (CHF)	(0.608)	(0.312)	(0.001)	(0.049)
Net Assets	2,555	1,287	(400)	6,753
Net Cash	1,019	319	(391)	(1,810)

Source: Company historic data, ED estimates

Company Data

EPIC	KNRS.SW
Share Price (last close)	CHF0.012
Market cap	CHF12.8m
ED Fair Value per share	CHF93.0m CHF0.093
Cash at 31 Dec '22	CHF1.34m
Avg. daily volume	1,282,582

Share Price, CHF



Source: Google

Company Description

Kinarus is a Swiss clinical-stage biopharmaceutical company that focusses on small molecule drugs with a history of clinical use in human patients. Much of the early-stage risk is eliminated from Kinarus' projects as the dose range, mechanism of therapeutic benefit and manufacturing and regulatory considerations have already been addressed.

With the benefit of much of this work already undertaken, the cost and duration of Kinarus' clinical programs should be shorter than is the norm. Kinarus' lead drug KIN001 was originally developed by Roche for RA and after addressing its PD liability, Kinarus is developing KIN001 for the treatment of COVID-19, wAMD and IPF in Phase 2 clinical trials.

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Historic financials and forecasts

Consolidated Income Statement & Forecasts				
CHF'000s, y/e 31 December	2019A	2020A	2021A	2022A
IFRS Income Statement				
Total revenue				
General & Administration expenses	(903)	(851)		(2,147)
R&D	(1,322)	(633)	(410)	(1,507)
Depreciation & amortisation	(1)	(1)		(1,522)
Reported EBIT	(2,267)	(1,522)	(410)	(40,017)
Reported profit before tax	(2,280)	(1,522)	(143)	(39,899)
Taxation				5,156
Basic EPS CHF	(0.6085)	(0.3117)	(0.0009)	(0.0495)
Diluted EPS CHF	(0.6085)	(0.3117)	(0.0009)	(0.0495)
Share count at end of period (basic) '000	3,747	4,883	163,768	702,105

Source: Company historic data, ED estimates

Consolidated Balance Sheet & Forecasts				
CHF'000s, at y/e 31 March	2019A	2020A	2021A	2022A
Assets				
Non-current assets				
Tangible assets	3	2	0	10
Intangible assets	1,800	1,800		12,400
Total non-current assets	1,803	1,802		12,410
Current assets				
Trade and other receivables				
Cash and equivalents	1,019	419	124	1,342
Other current assets	22	49	12	294
Total current assets	1,041	468	136	1,636
Total assets	2,844	2,270	136	14,046
Equity and liabilities				
Equity				
Share capital	488	491	1,810	11,436
Share Premium	7,748	7,747	220	32,478
Retained earnings (loss)	(5,680)	(6,949)	(2,430)	(37,160)
Equity attributable to the company	2,555	1,287	(400)	6,753
Current liabilities				
Trade and other payables	64	100	86	152
Current provisions				
Other current liabilities	226	182	21	1,695
Total current liabilities	289	983	107	1,847
Total non-current liabilities			429	5,446
Total liabilities	289	983	536	7,293
Total equity and liabilities	2,844	2,270	136	14,046

Source: Company historic, ED estimates

Consolidated Cash Flow Statements & Forecasts				
CHF'000s, y/e 31 March	2019A	2020A	2021A	2022A
Profit before taxation	(2,280)	(1,522)	(143)	(34,743)
Adjustment for:				
Depreciation & amortisation	1	1		1,522
Movements in working capital	(385)	(34)	55	(992)
Net cash generated by operating activities	(2,394)	(1,302)	(359)	(4,653)
Investing activities				
Capital expenditure on tangibles	(3)			(4)
Proceeds from disposal of tangibles	(1,500)			
Acquisitions				5,483
Net cash used in investing activities	(1,503)			5,479
Financing activities				
Net proceeds from issue of shares				
Proceeds from share option exercise	10	2	4	
Transaction costs	(127)	(1)		(88)
Proceeds from subordinated loans			420	480
Movements in convertible debt	2,880	700		
Net cash from financing activities	2,767	701	420	392
Cash & equivalents at beginning of year	2,154	1,019	63	124
Cash & equivalents at end of year	1,019	419	124	1,342

Source: Company historic data, ED estimates.



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