

## KINETIC study results

30 September 2022

Kinarus have announced the discontinuation of the Phase 2 KINETIC study of its anti-inflammatory combination drug KIN001 in the treatment of hospitalised COVID-19 patients. While a disappointment, this was not a large part of our valuation since treating hospitalised COVID-19 patients is a high bar where much of the pathological and immunological damage has already been done. We are encouraged that the Phase 2 KINFAST study in ambulatory patients continues and have adjusted our valuation. The bulk of our fair value of Kinarus remains the use of KIN001 in wet age-related macular degeneration (wAMD).

### A high bar but anti-inflammatory thesis largely intact

The discontinuation of the Phase 2 KINETIC study will result in some disappointment since it would have been a 'quick win'. The bar was, however, very high and patients who have been admitted to hospital with COVID-19 have advanced disease where much of the inflammatory mediation that KIN001 was designed to reduce is already fulminant, requiring hospital support. In addition, Kinarus' announcement also hints at the difficulty in achieving a statistically significant benefit with even more enrolled patients because, at this point in the pandemic after so many vaccinations, fewer patients have severe disease and consequently there are far fewer hospitalisations.

### Other KIN001 programs continue unchanged

Kinarus is by no means alone amongst biotech companies abandoning the severe hospitalised COVID-19 patient segment due to lack of efficacy. Indeed, the favourable safety profile reported from KINETIC study and the continuation of the Phase 2 KINFAST study (in much less severe, ambulatory, or non-hospitalised patients) are encouraging. In ambulatory patients, the inflammatory processes and the pathological damage are at a much earlier stage and more amenable to immune modulation by KIN001. If anything, with the population-wide waning of immunity to acute coronavirus infections, but the lingering T-cell memory provided by vaccination campaigns, the number of ambulatory patients is likely to increase making the recruitment of KINFAST easier.

### Minor valuation change

Investors will remember that the bulk of our valuation comprises the use of KIN001 in wAMD and idiopathic fibrosis (IPF) and the discontinuation of KINETIC has no effect on the plans for either these indications, or the KINFAST study (which is partially funded by the Swiss government). We have increased the discount rate for KIN001 in the treatment of COVID-19 from 15% (which we apply to Kinarus' other programs) to 30% and modestly reduced FY 2022 R&D spend.

These two changes result in our valuation of Kinarus' COVID-19 program alone falling from CHF 20.2m to CHF8.7m and **our fair valuation of Kinarus Therapeutics drops to CHF96.0m, or CHF 0.09 per share**, down from CHF107.6m (CHF0.10 per share).

#### Company Data

EPIC	KNRS.SW
Share Price	CHF0.02
Market cap	CHF23m
ED Fair Value per share	CHF96.0m CHF0.09
Proforma net cash at 30 Jun '22	CHF4.58m
Avg. daily volume	843,075

#### Share Price, CHF



Source: MarketWatch

#### 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 are developing KIN001 for the treatment of COVID-19, wAMD and IPF in Phase 2 clinical trials.

#### Summary Financials

CHF '000s, y/e 31 Dec	2019A	2020A	2021A	2022E
<b>Revenues</b>				
<b>EBIT</b>	(2,267)	(1,522)	(4,720)	(4,419)
<b>Basic EPS, (CHF)</b>	(0.608)	(0.312)	(0.900)	(0.005)
<b>Net Assets</b>	2,555	1,287	(1,371)	37,797
<b>Net Cash</b>	1,019	319	5,225	297

Source: Company historic data, ED estimates

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## COVID-19 Indication down, but not out

While the treatment of hospitalised COVID-19 patients is now not in KIN001's future indications, the KINFAST study is enrolling mild to moderate symptomatic patients, as defined by an FDA-proposed scale. These patients are not considered by the investigator to be at high risk of hospitalization. As there are no restrictions regarding vaccination status or any other prescribed treatment, including new antiviral drugs, a larger potential patient population can be enrolled.

This is different from the inclusion criteria of Pfizer's Paxlovid and Merck's molnupiravir antiviral trials, which specified the enrolment of unvaccinated patients at high risk of hospitalisation, and it is unlikely that KINFAST will encounter the dearth of patients that have plagued other studies in the post-pandemic period.

## Historic financials and forecasts

Consolidated Income Statement & Forecasts				
CHF'000s, y/e 31 December	2019A	2020A	2021A	2022E
<b>IFRS Income Statement</b>				
Total revenue				
General & Administration expenses	(903)	(851)	(1,402)	(2,298)
R&D	(1,322)	(633)	(2,939)	(1,227)
Depreciation & amortisation	(1)	(1)	(4)	(1,520)
<b>Reported EBIT</b>	<b>(2,267)</b>	<b>(1,522)</b>	<b>(4,720)</b>	<b>(5,419)</b>
<b>Reported profit before tax</b>	<b>(2,280)</b>	<b>(1,522)</b>	<b>(4,724)</b>	<b>(5,234)</b>
Taxation				56
Basic EPS CHF	(0.6085)	(0.3117)	(0.9003)	(0.0047)
Diluted EPS CHF	(0.6085)	(0.3117)	(0.9003)	(0.0047)
Share count at end of period (basic) '000	3,747	4,883	5,247	1,113,315

Source: Company historic data, ED estimates

Consolidated Balance Sheet & Forecasts				
CHF'000s, at y/e 31 March	2019A	2020A	2021A	2022E
<b>Assets</b>				
<b>Non-current assets</b>				
Tangible assets	3	2	7	9
Intangible assets	1,800	1,800	1,800	50,578
Total non-current assets	1,803	1,802	1,807	50,587
<b>Current assets</b>				
Trade and other receivables				
Cash and equivalents	1,019	419	5,032	3,775
Other current assets	22	49	49	174
Total current assets	1,041	468	5,352	3,949
<b>Total assets</b>	<b>2,844</b>	<b>2,270</b>	<b>7,158</b>	<b>54,536</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	488	491	536	10,695
Share Premium	7,748	7,747	9,222	30,475
Retained earnings (loss)	(5,680)	(6,949)	(11,128)	(7,135)
Equity attributable to the company	2,555	1,287	(1,371)	34,034
<b>Current liabilities</b>				
Trade and other payables	64	100	77	342
Current provisions				1,140
Other current liabilities	226	182	1,052	869
Total current liabilities	289	983	4,129	2,351
Total non-current liabilities			4,400	14,388
Total liabilities	289	983	8,529	16,739
<b>Total equity and liabilities</b>	<b>2,844</b>	<b>2,270</b>	<b>7,158</b>	<b>52,736</b>

Source: Company historic, ED estimates

<b>Consolidated Cash Flow Statements &amp; Forecasts</b>				
<b>CHF'000s, y/e 31 March</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>
Profit before taxation	(2,280)	(1,522)	(4,724)	(5,232)
Adjustment for:				
Depreciation & amortisation	1	1	4	1,520
Movements in working capital	(385)	(34)	5,245	(2,562)
Net cash generated by operating activities	(2,394)	(1,302)	(1,072)	(6,570)
<b>Investing activities</b>				
Capital expenditure on tangibles	(3)		(10)	
Proceeds from disposal of tangibles	(1,500)			
Acquisitions				5,483
Net cash used in investing activities	(1,503)		(10)	5,483
<b>Financing activities</b>				
Net proceeds from issue of shares			1,170	
Proceeds from share option exercise	10	2	4	
Transaction costs	(127)	(1)	(123)	(620)
Proceeds from subordinated loans			3,000	179
Movements in convertible debt	2,880	700	(230)	
Net cash from financing activities	2,767	701	3,821	(441)
Cash & equivalents at beginning of year	2,154	1,019	419	5,302
<b>Cash &amp; equivalents at end of year</b>	<b>1,019</b>	<b>419</b>	<b>5,302</b>	<b>3,775</b>

Source: Company historic data, ED estimates.



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