

AGM and recent financing

3 July 2023

Kinarus' Therapeutics AG held its AGM on June 28th. Shareholders approved all proposals, re-electing the current members of the Board of Directors for another term. Kinarus also recently received a subordinated CHF1.5m convertible loan investment by CDIM, an investment group in China. This equity-backed financing is intended to support Kinarus with the intention of entering negotiation for regional licenses for KIN001.

In addition, the US FDA and other countries continue to facilitate the development of drugs to treat and prevent COVID-19. The KINFAST phase 2 trial of KIN001 in outpatients remains open to recruitment in Switzerland and Germany. Kinarus appears to have most of the bases covered in this difficult biotech environment.

Recent financing activity

In addition to the commitment of CHF1.5m by ChaoDian (Hangzhou) Investment Management (CDIM), current shareholders have guaranteed the interim financing of Kinarus operations. The continued support of existing investors is significant, in that it signals continued confidence in Kinarus and its ability to execute its pipeline of clinical trials in high value indications. This is very encouraging given the difficult financing and M&A environment in the biotech sector.

Cross-border transactions, in particular with Asian entities, often take time while checks by authorities are conducted. The most sensitive to this type of transaction are regulators in the US and the UK, but we expect the Swiss Competition Commission to be no less stringent. The commitment of Kinarus shareholders to ensure continued financing while these processes are underway is reassuring.

Annual General Meeting

Kinarus held its annual AGM on the 28th of June. **Shareholders approved all proposals**, including the re-election of existing members of the Board of Directors for another term, and an increase in conditional share capital.

Valuation unchanged

While we await the completion of the CDIM and subsequent transactions, our fair value for Kinarus remains at CHF 93m, or CHF 0.093 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

Company Data

EPIC	KNRS.SW
Share Price (last close)	CHF0.01
Market cap	CHF12m
ED Fair Value per share	CHF93.0m CHF0.093
Cash at 31 Dec '22	CHF1.34m
Avg. daily volume	1,056,814

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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Focus on IPF – COVID-19 remains viable

While our [recent note](#) indicated a shift in Kinarus' focus more towards idiopathic pulmonary fibrosis (IPF) from the ongoing Phase 2 KINFAST study in ambulatory COVID-19 patients, this is not an either-or situation. There are **few options for the treatment of IPF**. The recent CDIM transaction is to facilitate potential partners in China interested in the IPF indication. China is estimated to have the largest number of IPF patients worldwide.

The approved drugs Esbriet and Ofev are modestly effective, suffer tolerability issues, and, in the case of Ofev, have the potential for significant adverse drug-drug interactions. The recent suspension of the development program for FibroGen's late-stage IPF drug candidate pamrevlumab – an antibody targeting a specific growth factor – highlights the need for a drug with diverse mechanisms of action to address the many facets of the disease. KIN001 possesses broad anti-inflammatory and anti-fibrotic activity, bolstering the potential for it to become a next-generation therapy in this multi-factorial disease.

With respect to Kinarus's efforts in COVID-19, some investors may have moved on after the pandemic. However, the US FDA's continued dialogue with biotech company Invivyd on its monoclonal antibody to prevent COVID-19 indicate that governments remain focused on pandemic preparedness. The development of new drugs and stockpiling remains an important public health topic.

Financials

Consolidated Income Statement				
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

Consolidated Balance Sheet				
CHF'000s, at y/e 31 December	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

Consolidated Cash Flow Statement

CHF'000s, y/e 31 December	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



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