

Update after half-year results

1 September 2023

In a well-received announcement that complied with the recent Swiss restrictions on commentary in business updates, Kinarus has reported its financial results to the end of June 2023. We address that report and provide some additional narrative on what we assume are the many moving parts and corporate activity behind the scenes. Two important points to note are that Kinarus's cash and the CDIM loan are expected to allow the completion of the partnering of its lead asset, and that Kinarus has supportive shareholders who are bridging group finance to the CDIM transaction.

Financial results

For the 6 months to 30 June 2023, Kinarus's R&D expense increased slightly to CHF 272k from CHF 236k for the corresponding H1 2022 and which were attributable to the ongoing Phase 2 KINFAST of KIN001 study in ambulatory COVID-19 patients and patent maintenance costs. The combination of increased payroll costs (CHF 487k vs. CHF 107k in H1 2022) and general and administrative costs (CHF 862k vs. 416k in H1 2022) – that come from part of the comparison period being as a shell company – resulted in an increased net loss for H1 2023 of CHF 2.1m vs. CHF 822k in H1 2022. Cash at the end of June 2023 was CHF 150k (vs. CHF 1.3m at the end of 2022) and we would expect costs to naturally reduce as the KINFAST study completes and cash is conserved prior to partnering.

Many moving parts

We have not updated our forecasts for FY 2023 because of the many variables currently in play at Kinarus. Kinarus has supportive shareholders that are bridge-financing the company to the CHF1.5m transaction by ChaoDian (Hangzhou) Investment Management (CDIM) which facilitates the licensing of its lead drug, KIN001 for idiopathic pulmonary fibrosis (IPF) in China. In addition, while Kinarus has reversibly licensed ex-Asian rights to KIN001 in IPF to a group of existing shareholders and has financing agreements with Yorkville and GEM, the half year report notes a going concern issue if the licensing and financing facilities should fail.

However, the delay from two regulatory reviews of an in-bound investment by a Chinese company and the investment by a Chinese entity outside China are customary, and the continued commitment of Kinarus's existing holders is reassuring while all these parts move to a conclusion. Although the half-year loss increased to the end of June 2023, the report also notes Kinarus's low operational expenses more than once. We would therefore expect these to remain tightly controlled during H2 2023 while all the parts move to a conclusion.

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.

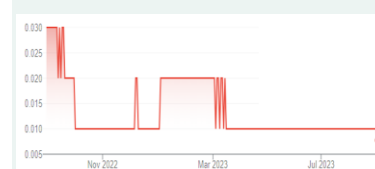
Summary Financials				
CHF '000s, y/e 31 Dec	2019A	2020A	2021A	2022A
Revenues				
EBIT	(2,267)	(1,522)	(410)	(40,047)
Basic EPS, (CHF)	(0.608)	(0.312)	(0.001)	(0.049)
Net Assets	2,555	1,287	(400)	6,753
Net Cash	1,019	319	(391)	(1,810)

Source: Company historic data

Company Data

EPIC	KNRS.SW
Share Price (last close)	CHF0.008
Market cap	CHF10.2m
ED Fair Value per share	CHF93.0m CHF0.093
Cash at 30 Jun '23	CHF150k
Avg. daily volume	1,046,675

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, Swiss GAAP FER

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, Swiss GAAP FER

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, Swiss GAAP FER



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