Research as a Service

Chimeric Therapeutics Ltd

Company Update

Hitting milestones and pipeline flowing

Biotechnology

9th February 2022

Chimeric Therapeutics (ASX:CHM) is a clinical-stage cell therapy company focused on developing and commercialising a range of chimeric antigen receptor T (CAR T) cell therapies targeting haematological cancers and solid tumours. In addition, CHM has secured an option to commercialise NK therapies from Case Western Reserve University (CWRU). CHM has recently updated the market with its Q2 FY22 report, including updated financials, as well as announcing the receipt of the US patent for certain applications of CLTX CAR technologies used in its CHM1101 and 1301 assets. CHM also announced yesterday encouraging initial data for the 2nd dose cohort of its CLTX CAR T Phase I dose escalation with dual routes (intratumoral and intraventricular) well tolerated and promising initial signs that two-thirds of evaluable patients treated achieving local stability of the disease. Our valuation for CHM at a mid-case of A$243m or A$0.74/share (A$0.67/share fully diluted for all options) remains unchanged following the release of these results. We use a risked NPV based on our assumptions for CLTX CAR T therapy for recurrent glioblastoma (GBM), which is currently in Phase I trials. Our valuation range is from A$0.50/share to A$0.93/share on the current share count. We expect to revisit the portfolio valuation as CHM advances its technologies.

Q2 expenditure comes in 9% under budget

CHM had $13.4m in cash as at 31-Dec-21, with net cash from operating activities up 56% to $3.9m due to commencement of payments for the Phase I trials. Q2 FY22 financials indicate Chimeric is in line with expected spending, based on its IPO prospectus, on business development including commercial and academic collaborations, licence fees to City of Hope, and offer costs. CHM had an increase of +20% on its expected spending on administrative, corporate and employment costs but spending on R&D and clinical and trial manufacturing was ~$3m lower than forecasted spend. Overall, this left the variance from expected spend of 9% under budget or ~$2m. The increase in corporate and staff costs are attributed by CHM in the 27-Jan update to the hiring of additional employees and additional corporate activities. Delays in R&D spend are attributed to staffing challenges during the pandemic.

Positive developments in clinical trials and research

During the quarter CHM entered into an exclusive option to license the CORE-NK platform from Case Western Reserve University (CWRU), expanded the pipeline to four new Chimeric assets to initiate development in 2022, released initial positive Phase I clinical data for its lowest dose level, and completed its dose level 2 with no dose-limiting toxicities. CHM also successfully completed its first step in the development of CDH17 CAR T with the manufacturing of research-grade plasmids. Subsequent to the quarter end, CHM has announced the receipt of a US patent covering applications of CAR technology using chlorotoxin (including CHM's 1101 and the optioned CAR NK asset CHM 1301), and announced a three-year sponsored research agreement (SRA) with the University of Pennsylvania. The research will focus on furthering the development and understanding of CHM 2101 and on identifying CDH17 directed follow-on candidates. CHM is also progressing toward a Phase I clinical trial for CHM 2101 in neuroendocrine tumours and gastrointestinal adenocarcinomas. We believe CHM is positioned well for future partnerships, out-licensing and collaborations via its diversified and expanding assets. An expansion of the pipeline across both autologous and allogeneic technologies, and from early pre-clinical to late Phase I clinical therapies, is significant, in our view, and broadens the appeal of the company to both investors and potential future partners. We explore the 2022 outlook for Chimeric Therapeutics in an interview with Managing Director and CEO Jennifer Chow which can be **Accessed here**.

Mid-case valuation remains $0.74/share

Our valuation remains unchanged as CHM progresses its clinical and pre-clinical assets. We are looking for a completed deal on the option with Case Western Reserve or a new clinical trial before addressing our valuation. We would expect more news flow from the company based on its significantly expanded milestone timeline, with a particularly busy 2022. We have looked at a potential value for the platform technology being used as a treatment for acute myeloid leukaemia (AML), one of the therapies under investigation, and have arrived at a potential value of US$41m or A$56m, or $0.17/share (discussed in our **Update Report 17 December 2021**). Our existing valuation utilises a risk-weighted valuation to our forecasts for the GBM opportunity, arriving at a valuation range of $0.50-$0.93/share with the mid-point at $0.74/share, based on the current share count. On a fully diluted basis for all options on issue, the mid-point valuation is $0.69/share. As we highlighted in our 29 November initiation report **Building a pipeline of expertise**, further upside could be obtained from the advancement of CHM 1101 to Phase II with GBM; the commencement of a Phase I frontline GBM study; the application of CHM 1101 to other indications; the advancement of CDH17 CAR T from pre-clinical to Phase I; and from the acquisition of other portfolio opportunities.

Share Details

ASX code	CHM
Share price (8-Feb)	$0.215
Market capitalisation	$71.2M
Shares on issue	331M
Net cash 31-Dec-21	$13.4M
Free float	~25.8%

Share Performance (since listing)

Upside Case

- Positive result from Phase I trial with CHM1101
- Approval to commence Phase I trial with CHM2101
- Success with additional pre-clinical studies to advance an indication for IND approval

Downside Case

- Underperformance in safety or efficacy of CHM1101 in Phase I trial
- Not receiving IND approval for CHM2101
- Patent applications rejected for pipeline IP

Board of Directors

Paul Hopper	Executive Chairman/ Founder
Jennifer Chow	Managing Director/CEO
Leslie Chong	Non-Executive Director
Dr Lesley Russell	Non-Executive Director
Cindy Elkins	Non-Executive Director
Dr George Matcham	Non-Executive Director

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FINANCIAL SERVICES GUIDE

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