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Research as a Service

Chimeric Therapeutics Ltd

Capital Raising

Entitlement offer to raise up to $18.1M

Biotechnology

2nd March 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). The company has announced a 1-for-3.15 non-renounceable entitlement offer at $0.17/share to raise $18.1m. The offer is being done at a 15% discount to the last traded price of CHM's shares. The entitlement offer includes one attached option for every new share issued with an exercise price of $0.255/share, which, if fully exercised by March 2024, could raise an additional $27.2m. Proceeds of the offer will be used to fund payments under CHM's licence and sponsored research agreements (SRAs) as well as its Phase I clinical trials and ongoing working capital. CHM noted that all its directors intended to participate in the offer. Our valuation for CHM pre-rights issue is at a mid-case of A$243m or A$0.74/share (A$0.67/share fully diluted for all options). We use a risked NPV based on our assumptions for CLTX CAR T therapy for recurrent glioblastoma (GBM), currently in Phase I trials. We expect to revisit the valuation as CHM advances its technologies and completes the entitlement offer.

World-class partners in discovery

CHM is the only company listed on the ASX conducting human clinical trials with CAR T cell therapy. CHM has licensed the CLTX CAR T from the City of Hope Cancer Centre in Los Angeles for the treatment of patients with glioblastoma, as well as to research additional indications for the CLTX CAR T. The CLTX CAR T therapy is in a Phase I clinical trial which has been designed with four dose levels and studies both single and dual routes of administration of cells. It is currently recruiting for its third dose level for this trial. CHM has also exclusively licensed the pre-clinical phase CDH17 CAR T from the University of Pennsylvania, the leading university for cell therapy patents. CDH17 CAR T is being studied in treatment of gastrointestinal cancers and neuroendocrine tumours. Additionally, CHM entered into an exclusive option to license the CORE-NK platform from Case Western Reserve University (CWRU), expanding the pipeline to four new Chimeric assets to initiate development in 2022. The CHM strategy is to build a pipeline of therapies which can help mitigate the high risk associated with biotechnology discovery, development and commercialisation.

Rapid progress made since listing in diversifying portfolio

Chimeric Therapeutics has been active in both business development and progressing its portfolio assets. In February, CHM announced the first patient in the third dose level of its CLTX CAR T cell clinical trial of the Phase I CHM 1101 trial in recurrent GBM, has been initiated at the City of Hope. In January, CHM announced it had secured 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 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 and will be funded by some of the proceeds of the entitlement offer. 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. Earlier this year, we explored the 2022 outlook for CHM in an interview with Managing Director and CEO Jennifer Chow which can be **Accessed here**.

Mid-case valuation maintained at $0.74/share

Our valuation remains unchanged as CHM progresses its clinical and pre-clinical assets, and has not been updated for the entitlement offer given the retail compenent is open until March 11. We are also looking for a completed deal on the option with CWRU or a new clinical trial before addressing our valuation. 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 an additional potential value of US$41m or A$56m, or $0.17/share (discussed in our **Update Report 17 December 2021**). Our 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. As we highlighted in our 29 November initiation report **Building a pipeline of expertise**, further upside could be obtained from the advancement of current clinical studies, commencement of new clinical studies and via corporate activity.

Share Details

ASX code	CHM
Share price (intraday)	$0.15
Market capitalisation	$49.7M
Shares on issue pre-raise	331M
Net cash post raise	$31.5M
Free float	~35.8%

Share Performance (12 months)

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

Company Contacts

Jennifer Chow (CEO) +1 908 723 8387
jchow@chimerictherapeutics.com

RaaS Contacts

John Burgess +61 410 439 723
john.burgess@raasgroup.com
Krista Walter +61 424 612 823
krista.walter@raasgroup.com

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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- deal on behalf of retail and wholesale clients in relation to
  - Securities

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