

## Chimeric Therapeutics – Sponsored Research Agreement with Case Western University and Full Year Financial Results Update

Chimeric Therapeutics (ASX: CHM)

Share Price: A\$0.08

Valuation: A\$0.71



### Key Statistics

52 Week Range	A\$0.07 - \$0.31
Avg. Volume (3 months)	347.92K
Shares Outstanding	433.70M
Market Capitalization	A\$35.99M
EV/Revenue	N/A
Cash Balance*	A\$7.96M
Analyst Coverage	3

\*Cash balance as of September 2022

### Revenue (in A\$m)

June - FY	2022A	2023E	2024E
1H	0.00	0.00	0.00
2H	0.00	0.00	0.00
FY	0.00	0.00	0.00

### EPS (in A\$)

June - FY	2022A	2023E	2024E
1H	(0.03)	(0.04)	(0.03)
2H	(0.01)	(0.02)	(0.03)
FY	(0.04)	(0.06)	(0.06)

### Stock Price Chart



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### Investment Highlights

- Financial Year Ended 2022 Results Update** - Chimeric Therapeutics reported results for the financial year ending June 2022. Research and Development (R&D) expenses for the year were A\$6.12 million (up 62% from A\$3.78 million for the same period last year). The increase in R&D expenditure is attributable to the advancement in the company's CDH17 and CAR-T technology. Other expenses, including general and administrative expenses, were reported at A\$7.9 million (down 11.8% from A\$8.97 million for the last financial year), which are in line with our expectations. The company ended the financial year with an operating cash burn of A\$13.15 million (compared to A\$8.83 million during the last financial year), attributable majorly to research and development and staff costs. Net loss for the financial year 2022 stood at A\$15.9 million (compared with a A\$15.13 million net loss for the last financial year), which is again in line with our estimates.
- Sponsored Research Agreement with Case Western University** – In November 2022, Chimeric Therapeutics announced that it has entered into a sponsored research agreement (SRA) with Case Western Reserve University (CWRU) to further advance Chimeric's NK cell therapy portfolio. The research program at CWRU will be led by Dr. David Wald, inventor of the CORE NK technology. Through this research collaboration, Dr. Wald and his laboratory will work closely with Chimeric to advance multiple next-generation NK cell products through preclinical development, including CHM 0301 (Next-Generation CORE-NK Platform), CHM 1301 (Chlorotoxin CAR NK), CHM 2301 (CDH17 CAR NK), and CHM 3301 (undisclosed CAR NK). The agreement is outcomes based on research aims for an initial period estimated to be two years, which may be extended by mutual agreement of the parties. Under a follow-up agreement, Chimeric also entered into an exclusive license agreement with Case Western Reserve University (CWRU), where Chimeric gains exclusive global rights to the CORE-NK platform for oncology, immune disorders, and viral infectious diseases, where Chimeric and CWRU are currently advancing multiple product candidates.
- Dr. Stephanie H. Astrow Appointed as Vice President, Translational Sciences** - Dr. Astrow joins Chimeric with more than 20 years of experience working in cell therapy and biotechnology. Previously, she was associated with Kite Pharma and Fate Therapeutics, where she led the translational development programs for CAR T, TCR, and NK cell therapies, overseeing teams focused on the mechanistic understanding of engineered cell therapy products. Dr. Astrow holds a Bachelor of Arts in Biology and Medicine from Brown University, earned her Ph.D. in Molecular and Cell Biology from the University of California, Berkeley, and holds an MBA from Pepperdine University.
- Q1 FY 23 Cash Flow and Valuation Update** - The operating cash burn for the first quarter of the financial year 2023 came in at A\$8.34 million, 93% of which was incurred for direct research and development (R&D) expenditure and staff costs. The company reported cash and cash equivalents at A\$7.96 million for the quarter ended September 2022. We have updated our valuation model to reflect the latest financial, updated cash balance, and shares outstanding. Additionally, we updated our operating expense estimates, which we believe better reflect the company's progress in its clinical pipeline candidates. Further, we have also updated the comparable company analysis yielding an overall value of A\$0.71 per share, contingent on successful execution by the company.

### Company Description

Chimeric Therapeutics is an Australian clinical-stage cell therapy company established in 2020. The company researches and develops innovative and promising cell therapies that they believe can cure cancer and not just delay disease progression

## CORE-NK platform – Expansive Platform Technology

Immunotherapy holds a lot of promise in treating and curing cancer. The company believes in that vision and has decided to expand its T-cell immunotherapy portfolio with a new addition of a recently licensed NK platform. Natural Killer (NK) cells are an integral part of a human’s innate immune system and are part of the first line of defense against foreign bodies and pathogens. These cells show spontaneous cytolytic activity against cells under stress and tumor-infected cells. Their natural ability to eliminate tumor cells has led to NK-based cell therapies being studied aside from T-cell-based therapies. The established safety profiles in the early clinical trials and fast-acting ability have led to an emerging effort for developing “off the shelf” NK-based cell immunotherapy. While there are challenges to such a setting that includes difficulty to meet clinical-grade ex-vivo expansion, limited ability to infiltrate solid tumors, and NK cells not being naturally abundant and robust enough to fight cancer as it grows. Chimeric Therapeutics believes that despite its limitations, NK-based cell therapy holds a lot of promise and has thus obtained an exclusive option to license a Clinically validated, Off the shelf, Robust, Enhanced Natural Killer cell platform (CORE-NK platform) developed at Case Western Reserve University (CWRU). The platform is designed and developed by Dr. David Wald, who is a leading expert in immunoncology at CWRU, which leverages the natural anti-cancer properties of naked natural killer cells that provides an optimal foundation for the development of next-generation CAR NK therapies.

*Chimeric therapeutics expands pipeline with a platform technology*

*Natural Killer Cells innate ability to identify and kill and tumor cells*

The core NK platform uses membrane-bound IL-21-based NK cell feeder cell lines to activate and expand the healthy donor naked natural killer cells to make them more active and robust to combat cancer as it grows. Interleukins (IL) are a type of cytokine which helps to modulate growth, differentiation, and activation during inflammatory and immune responses. IL-21 is one of the several interleukins, which acts on various immune cells of the innate and the adaptive immune system that helps in enhancing NK cell activity. Using membrane-bound IL-21 ensures robust and sustained proliferation of highly cytotoxic NK cells. The expanded NK cells exhibit increased cytotoxic function against a panel of blood cancer and solid tumor cells compared to IL-2-activated non-expanded NK cells<sup>1</sup>. Recent clinical trials suggest that high dosages of NK cells (>10<sup>9</sup>/kg) are safe and efficient. Unlike T-cells, another major potential advantage of NK cell-based therapy is that it can be carried out as off-the-shelf therapy and supports single donor expansion to treat multiple patients.

*NK cell-based therapies could have various advantages over T-cell therapies*

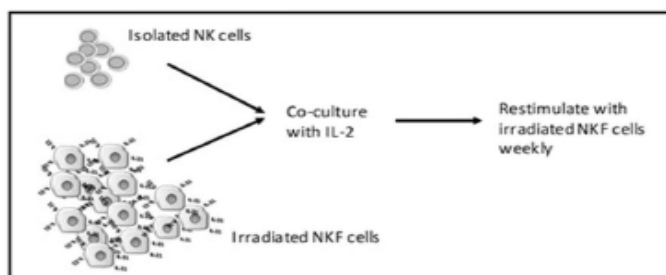


Exhibit 1: Schema of the NKF based NK cell expansion platform<sup>2</sup>

<sup>1</sup>Ojo, E.O., Sharma, A.A., Liu, R. *et al.* Membrane bound IL-21 based NK cell feeder cells drive robust expansion and metabolic activation of NK cells. *Sci Rep* 9, 14916 (2019). <https://doi.org/10.1038/s41598-019-51287-6>

<sup>2</sup> Ojo, E.O., Sharma, A.A., Liu, R. *et al.* Membrane bound IL-21 based NK cell feeder cells drive robust expansion and metabolic activation of NK cells. *Sci Rep* 9, 14916 (2019). <https://doi.org/10.1038/s41598-019-51287-6>

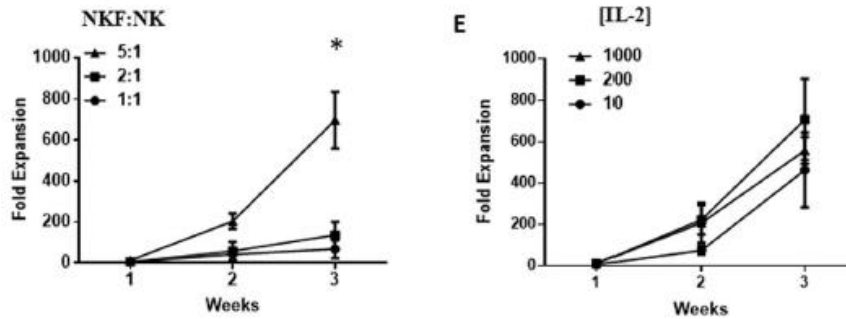


Exhibit 2: Fold expansion of NK cells at the indicated NKF: NK ratios and 200U/ml IL-2 after three weeks, n = 4<sup>3</sup>

## Pre-Clinical Efficacy and Safety Profile

The NKF-NK cells developed through the CORE-NK platform were first tested on mouse models of sarcoma and lymphoid leukemia. The sarcoma model was used as it leads to metastasis to the lungs, the most common site for sarcoma metastasis in humans and a known site for NK-cell trafficking in vivo<sup>4</sup>. The initial results were encouraging pertaining to the sarcoma model as not only reduction in the growth of sarcoma tumor was observed with NKF-NK cell administration but also a reduction in tumor metastasis to the lungs was also observed. In the case of highly aggressive lymphoid leukemia. NSG mice injected with NKF-NK cells showed decreased proliferation of tumor cells and a 13 days median increase in survival over control-treated mice.

*Preclinical trial results indicated decreased growth of tumor cells and improvement in survival rate*

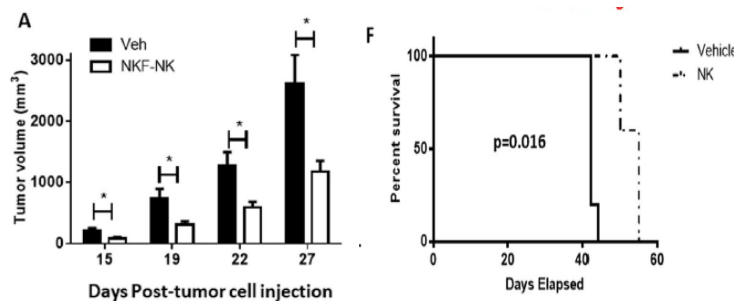


Exhibit 3: NKF-NK cells exhibit efficacy in a mouse sarcoma model<sup>5</sup>

The results from the preclinical trials (mouse models) were encouraging in terms of both efficacy and safety. The NKF-NK cell lines successfully exhibited potent cytotoxicity in blood cancer and solid tumors and reduced tumor burden in both primary and metastatic tumor sites. The university concluded the phase 1 trial in June 2021 involving subjects with both solid tumors and blood cancer. Initial results from the phase 1 trial results are expected in 2022. The trial results will provide early-stage validation for the development of next-generation CAR-NK products where the company's focus lies.

<sup>3</sup> Ojo, E.O., Sharma, A.A., Liu, R. *et al.* Membrane bound IL-21 based NK cell feeder cells drive robust expansion and metabolic activation of NK cells. *Sci Rep* 9, 14916 (2019). <https://doi.org/10.1038/s41598-019-51287-6>

<sup>4</sup> Ojo, E.O., Sharma, A.A., Liu, R. *et al.* Membrane bound IL-21 based NK cell feeder cells drive robust expansion and metabolic activation of NK cells. *Sci Rep* 9, 14916 (2019). <https://doi.org/10.1038/s41598-019-51287-6>

<sup>5</sup> Ojo, E.O., Sharma, A.A., Liu, R. *et al.* Membrane bound IL-21 based NK cell feeder cells drive robust expansion and metabolic activation of NK cells. *Sci Rep* 9, 14916 (2019). <https://doi.org/10.1038/s41598-019-51287-6>

## From Autologous to Allogeneic - Creating a Strong Pipeline of NextGen Cell Therapy

With the addition of the CORE-NK platform, Chimeric Therapeutics has the potential to offer a complete range of therapies from Autologous (personalized) to Allogeneic (off the shelf). The company’s major focus is on integrating Chimeric Antigen Receptors (CAR) with NK cells which enhances the recognition of specific antigens on tumor cells, allowing targeted destruction of cancerous cells. Chimeric Therapeutics, in collaboration with Dr. David Wald at CWRU, will begin the research collaboration to further engineer the CORE-NK platform by using the company’s current pipeline of chimeric antigen receptors (CLTX and CDH17). The five new therapies that the company is adding to its pipeline include CLTX CAR-NK, CDH17 CAR-NK, an undisclosed CAR-NK, the CORE-NK platform (phase 1 trial completed), and a next-generation CORE-NK platform targeting combination therapies for Acute Myeloid Leukemia, Multiple Melanoma, and B Cell Malignancies. This takes the company’s total to seven novel cell therapies utilizing NK cells and T-cells. Combining the CORE-NK platform with that of Chimeric Antigen Receptors (CARs) enhances the platform leading to the targeted killing of tumor cells. CAR-NK cell therapy holds a lot of promise, due to its large-scale clinical use. Various preclinical research has shown that NK cells can be effectively engineered to express extensive cytotoxic activity against hematological and solid tumors. Chimeric Therapeutics has built an innovative cell therapy pipeline and strengthened its positioning as Australia’s leading cell therapy player. The company is expected to completely license the NK platform from CWRU in return for the development milestones and industry-standard royalty rates based on net sales.<sup>6</sup>

Currently, 19 trials investigating CAR-NK cells for the treatment of hematological malignancies and the treatment of solid tumors are underway. Most of the CAR-NK cell trials are conducted in China (15 trials), while three trials are ongoing in the US, and only one trial is performed in Europe (Germany). In addition, a few trials are currently addressing CAR-NK/T cell products (2 trials in the US and one trial in China) as well as CAR-modified cytokine-induced killer cells (1 trial in Italy).<sup>7</sup>

CHIMERIC THERAPEUTICS		PRE-CLINICAL	PHASE 1	PHASE 2/3 <sup>1</sup>
NK CELL DERIVED THERAPIES	CHM 0201 (CORE-NK Platform)	Solid Tumours and Hematological Malignancies	LEARN MORE	
	CHM 0201 (Next Generation CORE-NK Platform)	Blood Cancers	LEARN MORE	
	CHM 1301 (CLTX CAR-NK)	Solid tumours	LEARN MORE	
	CHM 2301 (CDH17 CAR-NK)	Solid tumours	LEARN MORE	
	CHM 3301 (Undisclosed Target)		LEARN MORE	
T CELL DERIVED THERAPIES	CHM 1101 (CLTX CAR-T)	Glioblastoma	LEARN MORE	
		Melanoma	LEARN MORE	
		Colorectal	LEARN MORE	
		Prostate	LEARN MORE	
	CHM 2101 (CDH17 CAR-T)	Neuroendocrine	LEARN MORE	
		Colorectal	LEARN MORE	
		Pancreatic	LEARN MORE	
	Gastric	LEARN MORE		

<sup>1</sup> Phase 3 may not be required if Phase 2 is registrational.

Exhibit 4: Pipeline Overview. Source: Chimeric Therapeutics Investment Presentation

<sup>6</sup> CAR-engineered NK cells; a promising therapeutic option for treatment of hematological malignancies. *Stem Cell Research & Therapy*. 12. 10.1186/s13287-021-02462-y.

<sup>7</sup> Albinger, N., Hartmann, J. & Ullrich, E. Current status and perspective of CAR-T and CAR-NK cell therapy trials in Germany. *Gene Ther* 28, 513–527 (2021). <https://doi.org/10.1038/s41434-021-00246-w>

## The Target Market

Chimeric's and CWRU's focus is on treating various solid tumors, including various forms of blood cancers. Blood cancer starts as rapid and out of control growth of abnormal cells in blood-forming tissue, including the bone marrow. There are various kinds of blood cancers, but Acute Lymphocytic Leukemia (ALL), Chronic Lymphocytic Leukemia (CLL), non-Hodgkin lymphoma, and multiple myeloma are the most common forms of blood cancer. An estimated 186,400 cases of blood cancer are expected to be diagnosed in the US. The 5-year survival rate for all types of leukemia is 65%, while it is the [11th](#) leading cause of cancer-related mortality worldwide. The standard of care for leukemia is Chemotherapy and radiation therapy, but in the past decade, various immunotherapies, including CAR-T cell therapies, have been FDA approved to treat some lymphomas, leukemias, and multiple myeloma.

Solid tumors targeted by the CORE-NK platform in initial Case Western Reserve University trials include colorectal cancer, Ewing sarcoma, and soft tissue sarcoma. Sarcoma occurs in bones and other soft tissues of the body, including cartilage, muscle, fibrous tissue, or other connective or supportive tissue. Soft tissue sarcomas are by far the most common form of sarcomas, while malignant bone tumors account for [10%](#) of all sarcomas. Sarcomas as a whole is a rare disease accounting for just [1%](#) of all adult solid malignant tumors. About [13,460](#) new cases of soft tissue sarcomas and [149,500](#) cases of colorectal cancer will be diagnosed in the US in 2021. The 5-year relative survival rate of soft tissue sarcoma and colorectal cancer is [65%](#), while it varies from 15% to 80% for distant stages to localized forms of cancer, respectively. Colorectal cancer that has not spread to distant sites and small-low grade sarcomas may be removed through surgery. In contrast, the high-grade sarcomas and stage 0 and stage I colorectal cancer are treated through a combination of chemotherapy, radiation therapy, and surgery. Aside from the standard therapies, three FDA-approved immunotherapies are used to treat sarcoma, while many more are being investigated in a clinical trial. Immunomodulators, including Dostralinab, Pembrolizumab, and Denosumab as targeted antibodies, are the FDA-approved immunotherapies.

## Appendix

### Income Statement

Income Statement	FY2021 A	FY2022 A	FY2023 E	FY2024 E	FY2025 E	FY2026 E	FY2027 E	FY2028 E	FY2029 E	FY2030 E
Net sales	-	-	-	-	-	-	480,575,112.0	750,600,924.8	1,074,870,672.6	1,404,935,121.3
Cost of sales	-	-	-	-	-	-	(120,143,778.0)	(187,650,231.2)	(268,717,668.1)	(351,233,780.3)
<b>Gross profit</b>	-	-	-	-	-	-	<b>360,431,334.0</b>	<b>562,950,693.6</b>	<b>806,153,004.4</b>	<b>1,053,701,341.0</b>
<b>Operating expenses</b>										
General and Administrative Expenses	(8,963,348.0)	(7,896,788.0)	(10,660,663.8)	(11,193,697.0)	(11,417,570.9)	(11,645,922.3)	(182,618,542.6)	(285,228,351.4)	(408,450,855.6)	(533,875,346.1)
Marketing Expense	-	-	-	-	-	-	(48,057,511.2)	(75,060,092.5)	(107,487,067.3)	(140,493,512.1)
Research and Development	(3,778,382.0)	(5,174,094.0)	(18,885,443.1)	(24,551,076.0)	(29,461,291.2)	(32,407,420.4)	(29,461,291.2)	(15,012,018.5)	(16,123,060.1)	(7,024,675.6)
Share Based Payments	(2,102,327.0)	(3,169,055.0)	(5,909,221.4)	(7,148,954.6)	(8,175,772.4)	(8,810,668.5)	(31,811,975.1)	(36,028,844.4)	(42,457,391.6)	(54,090,002.2)
<b>EBITDA</b>	<b>(14,844,057.0)</b>	<b>(16,239,937.0)</b>	<b>(35,455,328.3)</b>	<b>(42,893,727.6)</b>	<b>(49,054,634.6)</b>	<b>(52,864,011.2)</b>	<b>68,482,013.9</b>	<b>151,621,386.8</b>	<b>231,634,629.9</b>	<b>318,217,805.0</b>
Depreciation and amortization expenses	(2,633.0)	(949,762.0)	(968,722.2)	(969,372.2)	(970,022.2)	(970,672.2)	(3,232,703.9)	(8,051,144.9)	(14,269,157.5)	(22,715,996.0)
<b>Other income/ (expense)</b>										
License Agreement Payments	-	-	(2,225,000.0)	(2,986,110.0)	(1,597,221.0)	(16,874,999.0)	(32,919,268.9)	(60,262,310.5)	(16,562,209.6)	(22,238,496.3)
Other non operating expenses / income	-	2,082,169.0	-	-	-	-	-	-	-	-
<b>EBIT</b>	<b>(14,846,690.0)</b>	<b>(15,107,530.0)</b>	<b>(38,649,050.5)</b>	<b>(46,849,209.9)</b>	<b>(51,621,877.8)</b>	<b>(70,709,682.5)</b>	<b>32,330,041.2</b>	<b>83,307,931.4</b>	<b>200,803,262.9</b>	<b>273,263,312.6</b>
Interest Income	2,646.0	12,977.0	3,676.3	8,219.8	420.9	6,947.2	1,318.9	11,167.5	27,109.4	51,849.3
Interest Expense	(5,877.0)	(640,127.0)	-	-	-	-	-	-	-	-
<b>Profit before exceptional items, extraordinary items and tax</b>	<b>(14,849,921.0)</b>	<b>(15,734,680.0)</b>	<b>(38,645,374.2)</b>	<b>(46,840,990.1)</b>	<b>(51,621,456.9)</b>	<b>(70,702,735.3)</b>	<b>32,331,360.0</b>	<b>83,319,098.9</b>	<b>200,830,372.3</b>	<b>273,315,161.9</b>
Exchange loss (net)	(263,790.0)	-	-	-	-	-	-	-	-	-
Employee separation cost	-	-	-	-	-	-	-	-	-	-
<b>Profit before tax from continuing operations</b>	<b>(15,113,711.0)</b>	<b>(15,734,680.0)</b>	<b>(38,645,374.2)</b>	<b>(46,840,990.1)</b>	<b>(51,621,456.9)</b>	<b>(70,702,735.3)</b>	<b>32,331,360.0</b>	<b>83,319,098.9</b>	<b>200,830,372.3</b>	<b>273,315,161.9</b>
Income tax (expense) benefit	-	(163,720.0)	-	-	-	-	(8,406,153.6)	(21,662,965.7)	(52,215,896.8)	(71,061,942.1)
<b>Net earnings including noncontrolling interests</b>	<b>(15,113,711.0)</b>	<b>(15,898,400.0)</b>	<b>(38,645,374.2)</b>	<b>(46,840,990.1)</b>	<b>(51,621,456.9)</b>	<b>(70,702,735.3)</b>	<b>23,925,206.4</b>	<b>61,656,133.2</b>	<b>148,614,475.5</b>	<b>202,253,219.8</b>
Share of profit / (loss) of associates (net)	-	-	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-	-	-
<b>Net earnings attributable to Chimeric Therapeutics Shareholders</b>	<b>(15,113,711.0)</b>	<b>(15,898,400.0)</b>	<b>(38,645,374.2)</b>	<b>(46,840,990.1)</b>	<b>(51,621,456.9)</b>	<b>(70,702,735.3)</b>	<b>23,925,206.4</b>	<b>61,656,133.2</b>	<b>148,614,475.5</b>	<b>202,253,219.8</b>

Exhibit 5: Income Statement Snapshot Source: Diamond Equity Research



## Risk Factors

- **Dependence upon License Agreements:** Chimeric has entered into a license agreement with City of Hope for its CLTX CAR-T technology, thus its business is in part dictated and dependent on the terms and conditions agreed upon by both parties. Any non-compliance with the terms of this agreement can have an adverse impact on Chimeric's business.
- **Product in Development and not approved for commercial sale:** Chimeric Therapeutics' oncology pipeline is still in its early phases of trials and further even if trials are successful there is no guarantee that the following commercialization will be successful.
- **Arrangement with Third-Party Collaborators:** The company may collaborate with other pharmaceutical and life sciences companies to complete its development and commercialization of products. Currently, it has a license agreement with the City of Hope and similarly, Chimeric has also been granted worldwide exclusive rights to the novel 3rd generation CDH17 CAR-T Cell Therapy from the University of Pennsylvania.
- **Competition from Ongoing Trials:** The number of clinical trials has increased over the years with currently 5 FDA-approved CAR T cell therapies for treating acute lymphoblastic leukemia, B-cell lymphoma, follicular lymphoma, mantle cell lymphoma, multiple myeloma, and 18 ongoing clinical trials that can put Chimeric in direct competition with the companies who have substantially greater resources than the company and may alter Chimeric's contemplated pricing and margins if its drugs are approved.
- **Ability to raise capital:** The company will likely be required to raise additional equity or debt capital in the future. There is no assurance a raise will be successful when required and/or at attractive terms.

*These risk factors are not comprehensive. For a full list of risk factors, please read Chimeric Therapeutics' latest prospectus and/or annual filings.*

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