EDISON

Kinarus Therapeutics

Financing update

Kinarus secures CHF1.5m financing

Pharma and biotech

Kinarus has announced that it has entered into a CHF1.5m strategic convertible loan agreement with ChaoDian (Hangzhou) Investment Management, an investment company based in China. The CHF1.5m subordinated loan has a three-year fixed term and does not bear any interest, and is convertible to Kinarus shares at a fixed conversion price of CHF0.01 per share. In addition to supporting Kinarus's financial position, the company indicates the loan agreement forms the basis for future discussions on the development and commercialisation of KIN001 for the treatment of idiopathic pulmonary fibrosis (IPF) in China. While discussions are preliminary and no deal or licensing arrangement can be assured at this stage, we are encouraged that KIN001 is attracting interest from potential partners and view this development as supportive of the underlying premise behind the potential anti-fibrotic and anti-inflammatory effects of KIN001.

Year end	Revenue (CHFm)	PBT (CHFm)	EPS (CHF)	DPS (CHF)	P/E (x)	Yield (%)
12/20	0.0	(1.5)	(0.31)	0.00	N/A	N/A
12/21	0.0	(4.9)	(0.00)	0.00	N/A	N/A

Note: 2020 accounts reflect statements of privately held Kinarus and 2021 statements represent pro-forma financials of Kinarus Therapeutics after the reverse merger transaction with Perfect Holding.

Kinarus in January summarised the preclinical data on lead candidate KIN001 (a proprietary combination of pamapimod and pioglitazone), demonstrating positive clinical activity in a mouse model of IPF both when used alone and in combination with existing approved IPF treatments, such as nintedanib or pirfenidone. This 21-day post-bleomycin injury mouse model data showed pamapimod and pioglitazone each reduced lung fibrosis, although combining them resulted in a greater reduction in fibrosis compared with either drug alone. The combination of KIN001 with pirfenidone showed further decreases in lung fibrosis, suggesting KIN001 could be used as an additive therapy to existing approved treatments. Provided clinical benefit can be shown in human studies, we continue to view this as a significant opportunity for emerging therapeutics such as KIN001 in the IPF market, in light of the high discontinuation rates associated with existing approved IPF treatments. As a reminder, branded pirfenidone (Esbriet) and nintedanib (OFEV) recorded c US$4bn in combined 2021 sales. We also note that KIN001 has already shown a favourable safety profile to date in human trials, as shown in the prior KINETIC study in COVID-19, where more than 130 patients received the drug for four weeks.

Kinarus has disclosed that its planned Phase II study in IPF will be a 52-week, double-blinded placebo-controlled trial assessing oral KIN001 on forced vital capacity, a common endpoint used in IPF studies, in 80 patients with IPF. The study will enrol patients already taking standard-of-care treatment (such as nintedanib or pirfenidone) as well as those taking neither drug. As is the case with Kinarus's lead KIN001 indication (wet age-related macular degeneration), we believe the company is exploring additional financing and partnering options before starting Phase II studies. The company reported a CHF1.3m cash position at year-end 2022 and expects to reports audited 2022 financial statements in the coming weeks.

15 May 2023

Price	**CHF0.013**
Market cap	**CHF17m**
Gross cash (CHFm) at 31 December 2022	1.3
Shares in issue	1,279m
Free float	70.7%
Code	KNRS
Primary exchange	SIX Stock Exchange
Secondary exchange	N/A

Share price performance

Business description

Based in Switzerland, Kinarus Therapeutics is a clinical-stage pharmaceutical company focused on advancing lead candidate KIN001 in inflammatory, fibrotic and/or viral infection-related conditions. KIN001 is in Phase II studies for COVID-19 and the company plans to start Phase II studies in the coming months for wet age-related macular degeneration and idiopathic pulmonary fibrosis.

Analysts

Pooya Hemami OD MBA CFA +44 (0)20 3077 5700

Soo Romanoff +44 (0)20 3077 5700

healthcare@edisongroup.com

Edison profile page

Kinarus Therapeutics is a research client of Edison Investment Research Limited

General disclaimer and copyright

This report has been commissioned by Kinarus Therapeutics and prepared and issued by Edison, in consideration of a fee payable by Kinarus Therapeutics. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom