

Cynata Therapeutics (CYP)

Rating: Buy | Risk: High | Price Target: \$2.50

Management and Board Additions Indicate Confidence

Key Information

Current Price (\$ps)	1.20
12m Target Price (\$ps)	2.50
52 Week Range (\$ps)	0.97 - 1.79
Target Price Upside (%)	108.3%
TSR (%)	108.3%
Reporting Currency	AUD
Market Cap (\$m)	122.2
Sector	Health Care
Avg Daily Volume (m)	0.1
ASX 200 Weight (%)	0%

Fundamentals

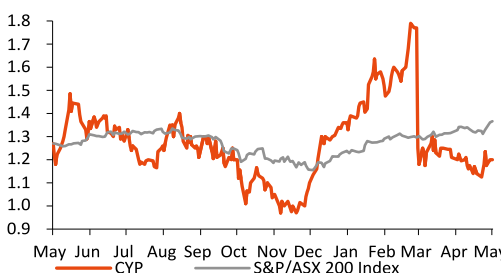
YE 30 Jun (AUD)	FY18A	FY19E	FY20E	FY21E
Sales (\$m)	0.0	0.0	15.6	42.6
NPAT (\$m)	(4.6)	(7.3)	4.0	23.0
EPS (cps)	(5.1)	(7.7)	4.2	24.2
EPS Growth (%)	25.3%	(52.0%)	154.0%	481.4%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 30 Jun	FY18A	FY19E	FY20E	FY21E
P/E (x)	(26.9)	(15.6)	28.8	5.0
EV/EBITDA (x)	(27.4)	(15.2)	25.5	4.0
Div Yield (%)	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(4.6%)	(3.2%)	(24.0%)	(13.1%)
Absolute (%)	(0.8%)	1.7%	(18.6%)	(5.5%)
Benchmark (%)	3.8%	4.9%	5.4%	7.6%



Price performance indexed to 100

Source:

Major Shareholders

Fidelity	9.4%
FUJIFILM Corporation	8.0%
Washer, Stewart	2.7%
McDonald, Ross	2.5%
Slukvin, Igor	2.4%

Event

CYP has announced additions to its board and management team ahead of the expected licensing of lead candidate CYP-001. Shaw and Partners forecasts, 12 month target price and rating remain unchanged.

Highlights

- Management and Board Additions.** CYP has announced additions to its board and management team ahead of licensing as it prepares for the expected increased workloads associated with managing trials, hospitals and licensees. We believe it reflects the Board's confidence in progressing towards licensing of either its lead candidate CYP-001 to Fujifilm or one of its other programs. Additions and new appointments include:

- Dr Geoff Brooke, has been appointed as an independent non-executive director to the Board of CYP. Dr Brooke's has 30 years of international life sciences and financial experience. He is the founder and former Managing Director of two life sciences venture capital firms, GBS Ventures and Medvest Inc, as well as the Chairman/Director of numerous healthcare companies.
- CYP has also appointed Dr Suzanne Lipe to the new role of Vice President, Alliance Management. Dr Lipe has 20 years' experience in biotechnology and pharmaceutical companies, including relevant experience in stem cell therapeutics and regenerative medicine as former Vice President Operations at Mesoblast (ASX:MSB). She has a PhD in pharmacology and a Bachelor of Laws.
- Dr Kilian Kelly has been promoted to the new role of Chief Operating Officer.

- CYP's licensing opportunities and expected trials include,** i) the licensing of CYP-001 to Fujifilm. In March CYP extended Fujifilm's option to license CYP's lead candidate CYP-001 for graft-versus-host disease (GvHD) to 19 Sept 2019, ii) A number of other indications are also moving towards licensing. Indications, timeframes and likely partners have not been disclosed, however CYP's MSC's have broad application in indications such as: Asthma, Crohn's Disease, Critical Limb Ischemia and Coronary Artery Disease, and iii) In December CYP announced that the NHMRC would fund via grant a phase 2 Osteoarthritis clinical trial in 448 patients. This will not only be one of the largest MSC trials ever undertaken, but targets a market opportunity est at USD11.6b by 2025.

Recommendation

Investors continue to wait on the announcement of either a licensing deal with Fujifilm or one of CYP's other applications of its MSC technology, and should take confidence from CYP's board electing to start building out its management ranks ahead of announcing a licensing deal. Despite the elapsing of time we continue to believe if Fujifilm didn't want to exercise its option it would have walked and expect it will exercise the option which will be i) strong validation of CYP's Cymerus platform, ii) see CYP-001 move into GvHD phase 2 trials in 2019, and iii) deliver substantial value to CYP (up fronts, milestones and royalties). Shaw and Partners forecasts, 12 month target price and rating remain unchanged.

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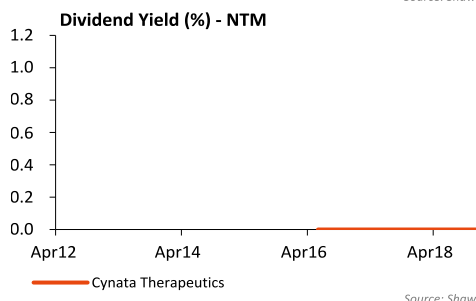
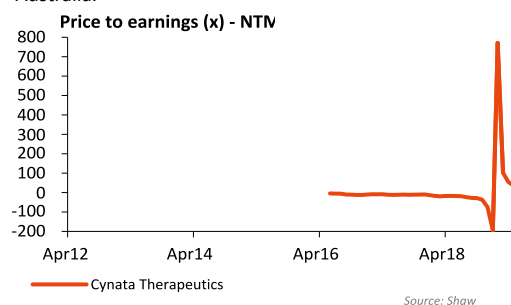
Cynata Therapeutics
Health Care
Pharmaceuticals, Biotechnology & Life Sciences
FactSet: CYP-AU / Bloomberg: CYP AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	1.20
Target Price (\$ps)	2.50
52 Week Range (\$ps)	0.97 - 1.79
Shares on Issue (m)	101.8
Market Cap (\$m)	122.2
Enterprise Value (\$m)	107.2
TSR (%)	108.3%

Valuation NPV	Data
Beta	1.50
Cost of Equity (%)	12.5%
Cost of Debt (net) (%)	7.5%
Risk Free Rate (%)	5.0%
Terminal Growth (%)	3.0%
WACC (%)	16.2%

Company Description

Cynata Therapeutics Ltd. is a stem cell and regenerative medicine company, which develops a therapeutic stem cell platform technology, Cymerus™, using discoveries made at the University of Wisconsin-Madison. The company IPO'd in November 2013 and is headquartered in Carlton, Australia.



Financial Year End: 30 June

Investment Summary (AUD)	FY17A	FY18A	FY19E	FY20E	FY21E
EPS (Reported) (cps)	(6.8)	(5.1)	(7.7)	4.2	24.2
EPS (Underlying) (cps)	(6.8)	(5.1)	(7.7)	4.2	24.2
EPS (Underlying) Growth (%)		25.3%	(52.0%)	154.0%	481.4%
PE (Underlying) (x)	(9.0)	(26.9)	(15.6)	28.8	5.0
EV / EBIT (x)	(8.8)	(25.7)	(14.6)	27.3	4.1
EV / EBITDA (x)	(9.3)	(27.4)	(15.2)	25.5	4.0
DPS (cps) (AUD)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	(7.9%)	(3.1%)	(5.2%)	(0.9%)	13.1%
Profit and Loss (AUD) (m)	FY17A	FY18A	FY19E	FY20E	FY21E
Sales	0.0	0.0	0.0	15.6	42.6
Sales Growth (%)					172.2%
Other Operating Income	1.1	1.5	1.6	1.5	2.9
EBITDA	(4.8)	(4.3)	(7.0)	4.2	23.3
EBITDA Margin (%)	nm	nm	nm	27.1%	54.7%
Depreciation & Amortisation	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
EBIT	(5.1)	(4.6)	(7.3)	4.0	23.0
EBIT Margin (%)	nm	nm	nm	25.3%	54.1%
Net Interest	0.1	0.0	0.0	0.0	0.0
Pretax Profit	(4.9)	(4.6)	(7.3)	4.0	23.0
Tax	0.0	0.0	0.0	0.0	0.0
Tax Rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT Underlying	(4.9)	(4.6)	(7.3)	4.0	23.0
Significant Items	0.0	0.0	0.0	0.0	0.0
NPAT Reported	(4.9)	(4.6)	(7.3)	4.0	23.0
Cashflow (AUD) (m)	FY17A	FY18A	FY19E	FY20E	FY21E
EBIT	(5.1)	(4.6)	(7.3)	4.0	23.0
Tax Paid	0.0	0.0	0.0	0.0	0.0
Net Interest	0.1	0.2	0.1	0.0	0.0
Other	0.6	0.3	1.3	(4.9)	(8.1)
Operating Cashflow	(4.3)	(4.1)	(5.9)	(1.0)	14.9
Capex	0.0	0.0	0.0	0.0	0.0
Acquisitions and Investments	0.0	0.0	0.0	0.0	0.0
Disposal of Fixed Assets/Investments	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Investing Cashflow	0.0	0.0	0.0	0.0	0.0
Free Cashflow	(4.3)	(4.1)	(5.9)	(1.0)	14.9
Equity Raised / Bought Back	5.0	5.9	0.4	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0	0.0	0.0
Other	(0.5)	0.0	0.2	0.0	0.0
Financing Cashflow	4.5	5.9	0.6	0.0	0.0
Net Change in Cash	0.2	1.8	(5.3)	(1.0)	14.9
Balance Sheet (AUD) (m)	FY17A	FY18A	FY19E	FY20E	FY21E
Cash	10.3	12.2	6.9	5.9	20.8
Accounts Receivable	0.1	0.4	0.0	5.6	14.4
Inventory	0.0	0.0	0.0	0.0	0.0
Other Current Assets	0.0	0.0	1.8	1.8	1.8
PPE	0.0	0.0	0.0	0.0	0.0
Goodwill & Intangibles	3.8	3.5	3.3	3.0	2.7
Investments	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0
Total Assets	14.3	16.1	11.9	16.3	39.7
Accounts Payable	0.4	0.7	0.4	0.6	1.0
Short Term Debt	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	0.0	0.0	0.0
Income Taxes Payable	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Total Liabilities	0.4	0.7	0.4	0.6	1.0
Ratios	FY17A	FY18A	FY19E	FY20E	FY21E
ROE (%)		(29.1%)	(52.4%)	31.2%	85.8%
Gearing (%)	(278.5%)	(383.7%)	(147.8%)	(60.4%)	(116.6%)
Net Debt / EBITDA (x)	2.2	2.8	1.0	(1.4)	(0.9)

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Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

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