

InMed Pharmaceuticals

Biosynthesis and INM-750 Progress on Track

Financial update

Pharma & biotech

20 November 2018

Price **C\$0.54**

Market cap **C\$92m**

C\$0.76/US\$

Net cash (C\$m) at 30 September 2018 24.8

Shares in issue 170.9m

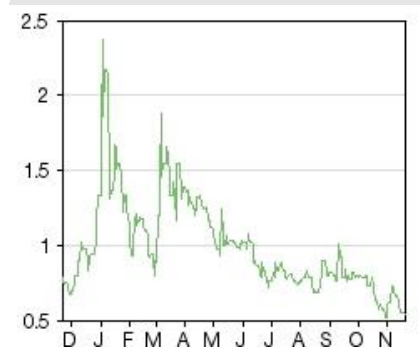
Free float 92.1%

Code IN

Primary exchange TSX

Secondary exchange OTC Markets

Share price performance



% 1m 3m 12m

Abs (14.3) (20.6) (22.9)

Rel (local) (12.0) (14.0) (18.1)

52-week high/low C\$2.4 C\$0.5

Business description

InMed is a Canada-based biopharmaceutical company focused on manufacturing and developing cannabinoids. Its biosynthesis platform may be able to produce cannabinoids for less cost and with improved purity compared to currently used methods. The company is also developing a proprietary pipeline, including INM-750 for epidermolysis bullosa, a serious, debilitating orphan indication.

Next events

INM-750 discussions with regulators H119

INM-750 IND filing H219

Analysts

Maxim Jacobs +1 646 653 7027

Briana Warschun +1 646 653 7031

healthcare@edisongroup.com

[Edison profile page](#)

InMed recently reported results for the first quarter of FY19 and continues to make solid progress in bringing INM-750 for epidermolysis bullosa (EB) into the clinic by H219. So far, its selected formulation has demonstrated good drug penetration as a topical formulation, a clean safety profile and that each of the two cannabinoid components plays an important and independent role in combating EB, which is an especially important finding from a regulatory point of view for any combination product. Additionally, the company's biosynthesis program is tracking on schedule.

Year end	Revenue (C\$m)	PBT* (C\$m)	EPS* (C\$)	DPS (C\$)	P/E (x)	Yield (%)
06/17	0.0	(3.2)	(0.03)	0.00	N/A	N/A
06/18	0.0	(5.3)	(0.04)	0.00	N/A	N/A
06/19e	0.0	(7.1)	(0.04)	0.00	N/A	N/A
06/20e	0.0	(11.4)	(0.06)	0.00	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Positive preclinical results for INM-750

The company has conducted a plethora of preclinical studies for INM-750 for EB. Importantly, InMed has selected a topical formulation that has been able to show good permeability, clean safety/toxicology results and evidence that the two cannabinoid components of INM-750 play important and independent roles including anti-inflammation and keratin up-regulation.

INM-750 CTA/IND filing on track for H219

Given the positive results for the various drug permeation, toxicology and pharmacology studies InMed has conducted to date, the company believes it is on track to meet with regulators in H119 and for a Clinical Trial Application (CTA) and/or an Investigational New Drug application (IND) filing in H219. InMed is working on both in parallel, but believes it will complete the CTA filing first, hence human clinical studies for INM-750 may begin in Canada.

Biosynthesis development agreement with the NRC

InMed announced in October that it had entered into a development agreement with the National Research Council of Canada (NRC), the primary research and technology organization of the Canadian government, for biofermentation development and scale-up processes. Also, the company has signed a master service agreement with another party for downstream purification processing, with target manufacturing of a commercial-scale batch by the end of 2019.

Valuation: C\$232m or C\$1.36 per basic share

We have adjusted our valuation to C\$232m or C\$1.36 per basic share (C\$1.05 per diluted share) from C\$234m or C\$1.37 per basic share (C\$1.05 per diluted share) solely due to lower net cash, otherwise our valuation estimates are the same. The company had C\$24.8m in cash at 30 September and we believe this provides runway into FY21.

**InMed Pharmaceuticals is a
research client of Edison
Investment Research Limited**

Q119 results and R&D update

InMed recently reported its Q119 results and provided a development update. The company continues to run a series of preclinical studies for INM-750 for the treatment of EB. So far, its selected topical formulation has been able to show good permeability of the epidermis, clean safety/toxicology results (from two genotoxicity studies, as well as two seven-day dose-ranging and pharmacokinetic studies to assess systemic toxicity), and demonstrated that the two cannabinoid components of INM-750 play important and independent roles including anti-inflammation and keratin up-regulation. InMed continues to run toxicity studies, work on the manufacturing component and is in the process of selecting a clinical research organization (CRO) to run the human clinical trials. The company believes it is on track to meet with regulators in H119, and for a CTA and/or IND filing in H219. InMed is working on both in parallel, but believes it will complete the CTA filing first, hence human clinical studies for INM-750 may begin in Canada, followed by the US.

With regards to biosynthesis, the company announced in October that it had entered into a development agreement with the National Research Council of Canada (NRC), the primary research and technology organization of the Canadian government, for biofermentation development and scale-up processes at the NRC's dedicated facility in Montreal. Additionally, the Company confirmed the signing of a master service agreement with another party for the downstream purification processing, with target manufacturing of a commercial-scale batch before year-end 2019.

Valuation

We have adjusted our valuation to C\$232m or C\$1.36 per basic share (C\$1.05 per diluted share) from C\$234m or C\$1.37 per basic share (C\$1.05 per diluted share) solely due to lower net cash, otherwise there is no change to our rNPV valuation assumptions.

Exhibit 1: InMed valuation table					
Program	Stage	Probability of success	Launch year	Peak sales (C\$m)	rNPV (C\$m)
Biosynthesis (manufacturing)	Development	23%	2020	1,574	\$196
INM-750	Preclinical	5.0%	2026	345	\$11
Total					\$207.0
Net cash and equivalents (as of 30 September 2018) (C\$m)					\$24.8
Total firm value (C\$m)					\$231.8
Total basic shares (as of September 2018, m)					170.9
Value per basic share (C\$)					\$1.36
Options and warrants (as of September 2018, m)					50.4
Total diluted shares (m)					221.3
Value per diluted share (C\$)					\$1.05
Source: Edison Investment Research					

Financials

InMed reported an operating loss of C\$2.8m in Q119 (quarter ending 30 September 2018) up from C\$1.8m for the same period a year ago. R&D expenses were C\$0.6m in Q119, up from C\$0.4m in the same quarter last year. InMed had C\$24.8m in cash at 30 September and we believe this provides runway into FY21.

Exhibit 2: Financial summary

	C\$'000s	2017	2018	2019e	2020e
Year end 30 June		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		0	0	0	0
Cost of Sales		0	0	0	0
Gross Profit		0	0	0	0
Research and development		(746)	(1,927)	(3,854)	(7,709)
Selling, general & administrative		(2,321)	(3,367)	(3,502)	(3,642)
EBITDA		(3,263)	(5,530)	(7,512)	(11,506)
Operating Profit (before amort. and except.)		(3,165)	(5,412)	(7,434)	(11,429)
Intangible Amortisation		0	0	0	0
Exceptionals/Other		(1,309)	(3,197)	(3,881)	(4,036)
Operating Profit		(4,474)	(8,609)	(11,315)	(15,464)
Net Interest		0	88	358	0
Other (change in fair value of warrants)		0	0	0	0
Profit Before Tax (norm)		(3,165)	(5,324)	(7,076)	(11,429)
Profit Before Tax (IFRS)		(4,474)	(8,521)	(10,957)	(15,464)
Tax		0	0	0	0
Deferred tax		0	0	0	0
Profit After Tax (norm)		(3,165)	(5,324)	(7,076)	(11,429)
Profit After Tax (IFRS)		(4,474)	(8,521)	(10,957)	(15,464)
Average Number of Shares Outstanding (m)		96.8	142.5	173.4	180.4
EPS - normalised (c)		(3.27)	(3.74)	(4.08)	(6.34)
EPS - IFRS (\$)		(0.05)	(0.06)	(0.06)	(0.09)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets		1,392	1,329	1,286	1,312
Intangible Assets		1,365	1,274	1,251	1,251
Tangible Assets		27	56	36	61
Other		0	0	0	0
Current Assets		6,945	26,734	19,175	7,585
Stocks		0	0	0	0
Debtors		0	0	0	0
Cash		6,708	26,477	18,943	7,354
Other		237	257	231	231
Current Liabilities		(370)	(938)	(590)	(590)
Creditors		(370)	(938)	(590)	(590)
Short term borrowings		0	0	0	0
Long Term Liabilities		0	0	0	0
Long term borrowings		0	0	0	0
Other long term liabilities		0	0	0	0
Net Assets		7,966	27,125	19,870	8,307
CASH FLOW					
Operating Cash Flow		(3,076)	(4,672)	(7,484)	(11,507)
Net Interest		0	0	0	0
Tax		0	0	0	0
Capex		(25)	(56)	(75)	(82)
Acquisitions/disposals		0	0	0	0
Financing		9,755	24,483	11	0
Dividends		0	0	0	0
Other		0	0	0	0
Net Cash Flow		6,654	19,756	(7,547)	(11,589)
Opening net debt/(cash)		(54)	(6,708)	(26,477)	(18,943)
HP finance leases initiated		0	0	0	0
Exchange rate movements		0	0	0	0
Other		0	14	13	0
Closing net debt/(cash)		(6,708)	(26,477)	(18,943)	(7,354)

Source: Company reports, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by InMed Pharmaceuticals and prepared and issued by Edison, in consideration of a fee payable by InMed Pharmaceuticals. Edison Investment Research standard fees are £49,500 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 Edison analyst 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 of 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.

Copyright: Copyright 2018 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2018. "FTSE" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). 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

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

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 (nor will such persons be able to purchase shares in the placing).

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

Neither this Communication nor any copy (physical or electronic) of it may be (i) taken or transmitted into the United States of America, (ii) distributed, directly or indirectly, in the United States of America or to any US person (within the meaning of regulations Regulation S made under the US Securities Act 1933, as amended), (iii) taken or transmitted into or distributed in Canada, Australia, the Republic of Ireland or the Republic of South Africa or to any resident thereof, except in compliance with applicable securities laws, (iv) taken or transmitted into or distributed in Japan or to any resident thereof for the purpose of solicitation or subscription or offer for sale of any securities or in the context where the distribution thereof may be construed as such solicitation or offer, or (v) taken or transmitted into any EEA state other than the United Kingdom. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any such jurisdiction. The distribution of this Communication in or into other jurisdictions may be restricted by law and the persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.