EDISON

InMed Pharmaceuticals

Development update

INM-755 Phase I complete, on to Phase II

Pharma & biotech

InMed Pharmaceuticals has now announced top-line results from both the 755-101-HV and 755-102-HV Phase I trials. Trial 755-101-HV was conducted in 22 healthy adult volunteers with intact skin, while 755-102-HV was conducted in eight healthy volunteers with small wounds. Both trials indicated that INM-755 was safe and well tolerated. There were no systemic or serious adverse effects, nor were there any adverse event-related withdrawals. Additionally, systemic drug concentrations were very low, which is desirable in a topical therapy.

Year end	Revenue (C$m)	PBT* (C$m)	EPS* (C$)	DPS (C$)	P/E (x)	Yield (%)
06/19	0.0	(9.1)	(1.76)	0.00	N/A	N/A
06/20	0.0	(10.7)	(2.05)	0.00	N/A	N/A
06/21e	0.0	(11.0)	(1.66)	0.00	N/A	N/A
06/22e	0.0	(13.2)	(1.77)	0.00	N/A	N/A

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

INM-755 progressing into Phase II

Following the safety and tolerability data from the Phase I program, INM-755 will be moving forward into a Phase II (755-201-EB) trial in up to 20 epidermolysis bullosa (EB) patients with an anticipated treatment duration of 28 days. Regulatory applications are expected to be filed in several countries in H1 CY21.

BayMedica collaboration

InMed announced a research collaboration with BayMedica, which specializes in the design and manufacture of rare natural cannabinoids and analogs. As part of the agreement, BayMedica will receive access to aspects of InMed's IntegraSyn biosynthesis platform, while InMed will explore the therapeutic potential of some of BayMedica's cannabinoid analogs in neuroprotection. Following the initial research phase, the companies may decide to license each other's technology.

INM-088 formulation finalized

A formulation of INM-088 for glaucoma has been finalized and has demonstrated the ability to deliver sustained levels of cannabinol (CBN) to the eye in an animal model through a stable and comfortable eyedrop formulation. InMed licensed the delivery technology in December from EyeCRO, a contract research organization, for milestones, low single-digit royalties and a nominal amount of equity. IND-enabling studies are expected to begin in 2021.

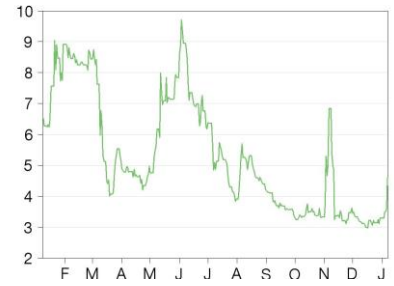
Valuation: US$233m or US$33.34 per basic share

We have adjusted our valuation to US$233m (C$296m) or US$33.34 (C$42.35) per basic share from C$256m or C$1.49 per basic share. The total valuation rose due to increasing the probability of success for INM-755 to 10% from 7.5% following the positive Phase I data, rolling forward our NPVs and higher net cash following a Nasdaq offering. The per-share value increased following a one-for-33 share consolidation completed on 30 June.

11 January 2021

Price	**US$4.87**
Market cap	**US$34m**
	C$0.79/US$
Net cash (C$m) at 30 September 2020 + offering	15.6
Shares in issue	7.0m
Free float	99.0%
Codes	INM (Nasdaq) IN (TSX)
Primary exchange	Nasdaq
Secondary exchange	TSX

Share price performance



%	1m	3m	12m
Abs	52.2	47.4	(25.2)
Rel (local)	47.3	32.8	(36.4)
52-week high/low	US$9.70		US$2.98

Business description

InMed Pharmaceuticals 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-755 for epidermolysis bullosa, a serious, debilitating orphan indication.

Next events

755-102-HV trial results	Q1 CY21

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Edison profile page

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Clinical update

InMed Pharmaceuticals recently announced the results of both its Phase I trials, 755-101-HV and 755-102-HV. In trial 755-101-HV, which studied the systemic and local safety, tolerability and pharmacokinetics (PK) of two dosage strengths of INM-755 cream in 22 healthy adult volunteers. Importantly, there were no systemic or serious side effects. There was a slightly higher incidence and intensity of redness, swelling, scaling and burning in the treatment group, but none of these was serious and no subjects dropped out of the trial because of them. Additionally, this incidence did not occur in a dose dependent manner, which may indicate it was due to chance as the trial was small. Also, after application the cream was covered with a film dressing, which may have added to any skin irritation. Systemic exposure of the drug was very low and no systemic adverse effects were caused by exposure to INM-755, which is important in a topical therapy, especially a cannabinoid.

Similar results were seen in trial 755-102-HV, which studied the impact of INM-755 in eight healthy volunteers with small wounds. The small blister wounds were created at the clinical site to largely mimic the types of wounds typically seen in EB simplex patients. The study compared two dosage strengths of INM-755 cream versus vehicle alone as well as no treatment (in other words, four treatment conditions). Erythema and scaling were seen across all treatment groups, including those receiving vehicle or no treatment. There were a few mild cases of stinging/burning but these were only seen in the vehicle and low-concentration cream treated wounds and not the high-concentration treated or untreated wounds. As with 755-101-HV, no systemic adverse events were reported. Importantly, the INM-755 creams did not introduce any delay in wound healing.

Following the safety and tolerability data from the Phase I program, INM-755 will be moving forward into a Phase II (755-201-EB) trial in up to 20 EB patients with an anticipated treatment duration of 28 days. Regulatory applications are expected to be filed in several countries in H1 CY21.

Exhibit 1: Expected clinical trial program

Trial	Type of patients	Expected size	Treatment protocol	Purpose	Timing
Phase I (755-101-HV)	Adult healthy volunteers with normal, intact skin	22	14 days on intact skin; two dosage strengths	Systemic and local safety/PK	Completed. Data indicated INM-755 cream was safe and well tolerated on intact skin.
Phase I (755-102-HV)	Adult healthy volunteers with small wounds	8	14 days on small wounds; two dosage strengths	Local safety	Completed. Data indicated that INM-755 cream was safe and well tolerated on small wounds and the cream had no negative impact on wound healing.
Phase II (755-201-EB)	EB patients (first adults, then children)	Up to 20	28 days on intact skin and possibly wounds; two dosage strengths	Systemic and local safety and efficacy	IND/CTA filings in countries globally in H1 CY21. We currently expect a year for completion of the trial.

Source: InMed Pharmaceuticals

For INM-088 for glaucoma, the company is moving forward with a final formulation, one that has demonstrated the ability to deliver sustained levels of CBN to the eye in an animal model through a stable and comfortable eyedrop formulation. InMed licensed the delivery technology in December 2020 from EyeCRO, a contract research organization, for milestones, low single-digit royalties and a nominal amount of equity. IND-enabling studies are expected to begin in 2021. Preclinical data so far have indicated a neuroprotective effect in ocular disease and INM-088 may also have the potential to reduce intraocular pressure (IOP) through improvement in the aqueous humor outflow. Importantly, some of the safety studies for INM-755 can be used for INM-088 for glaucoma as both products have the same active ingredient (CBN).

Biosynthesis platform

In June 2020, the company announced a change in approach to biosynthesis, the IntegraSyn manufacturing system. It will continue to focus on bacterial-based fermentation but with a goal of it being used in combination with other methods to increase yields and flexibility while reducing costs. InMed expects its process to be good manufacturing practice batch ready in Q1 CY21.

InMed also recently announced a research collaboration with BayMedica, which specializes in the design and manufacture of rare natural cannabinoids and analogs through biosynthesis and pharmaceutical chemistry. As part of the reciprocal agreement, BayMedica will receive access to one or more of InMed's high-efficiency enzyme gene sequences to assess their ability to improve on the manufacturing process for cannabinoids in BayMedica's library. In return, BayMedica will provide InMed with access to BayMedica's library of proprietary cannabinoid analogs (as these are novel, they have the potential to be protected by composition of matter patents unlike naturally occurring cannabinoids). InMed will conduct preclinical research on numerous therapeutic compounds to explore their potential in selected disease models related to neuroprotection. Following the initial research phase, the companies may license each other's technology if desired.

Valuation

We have adjusted our valuation to US$233m (C$296m) or US$33.34 (C$42.35) per basic share from C$256m or C$1.49 per basic share and from this point forward will be using US dollars as the base currency for the valuation of the company due to the listing on Nasdaq. The total valuation rose due to increasing the probability of success for INM-755 to 10% from 7.5% following the positive Phase I data, rolling forward our NPVs and higher net cash following a Nasdaq offering. The per-share value increased following a one-for-33 share consolidation completed on 30 June 2020.

Exhibit 2: InMed valuation table

Program	Stage	Probability of success	Launch year	Peak sales (C$m)	rNPV (C$m)
Biosynthesis (manufacturing)	Development	23%	2022	1,574	$251
INM-755	Phase I	10%	2026	345	$30
Total					$280.8
Net cash and equivalents (As of 30 September plus offering) (C$m)					$15.6
Total firm value (C$m)					$296.46
Total firm value (US$m)					$233.38
Total basic shares (as of 30 September 2020 + offering, m)					7.00
Value per basic share (US$)					$33.34
Options and warrants (as of 30 June 2020, m)					2.3
Total diluted shares (as of 30 June 2020, m)					9.3
Value per diluted share (US$)					$24.99

Source: Edison Investment Research

Financials

InMed reported a net loss of C$2.1m in Q121 (the period ending 30 September 2020), down from C$3.4m in the same period in the prior year due to lower operating expenses. R&D expenses were C$1.2m in the quarter compared to C$2.3m a year ago due to lower costs associated with external contractors and research supplies. G&A was $0.7m, down from $1.0m in Q120 due to lower accounting and legal expenses as well as decreased salaries and benefits. We have reduced FY21 R&D expenditure estimates from C$10.6m to C$5.9m but increased our SG&A estimates by C$1m as we expect greater legal and compliance costs due to being a Nasdaq-listed company. We are

also introducing our FY22 estimates, which include C$6.8m in R&D spending and C$5.1m in SG&A.

InMed had C$6.1m in cash and marketable securities at 30 September and subsequently raised approximately US$8.0m in gross proceeds from a Nasdaq public offering through the issuance of 1.78m common shares at US$4.50 per share. Additionally, 1.78m warrants with a strike price of US$5.11 per share were issued. The warrants are immediately exercisable and expire in six years.

Based on the cash level following the offering, we believe InMed has funding into FY22. We forecast the company will raise C$12.5m in additional capital in FY22, which we model as illustrative long-term debt.

Exhibit 3: Financial summary

C$'000s	2019	2020	2021e	2022e
Year end 30 June	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS				
Revenue	0	0	0	0
Cost of Sales	0	0	0	0
Gross Profit	0	0	0	0
Research and development	(5,639)	(7,105)	(5,886)	(6,769)
Selling, general & administrative	(3,798)	(3,533)	(4,904)	(5,100)
EBITDA	(9,436)	(10,638)	(10,790)	(11,869)
Operating Profit (before amort. and except.)	(9,561)	(10,859)	(11,029)	(12,108)
Intangible Amortisation	0	0	0	0
Exceptionals/Other	(4,128)	(1,144)	(732)	(761)
Operating Profit	(13,689)	(12,003)	(11,760)	(12,869)
Net Interest	434	147	26	(1,068)
Other (change in fair value of warrants)	0	0	0	0
Profit Before Tax (norm)	(9,127)	(10,713)	(11,002)	(13,175)
Profit Before Tax (IFRS)	(13,255)	(11,857)	(11,734)	(13,936)
Tax	0	0	0	0
Deferred tax	0	0	0	0
Profit After Tax (norm)	(9,127)	(10,713)	(11,002)	(13,175)
Profit After Tax (IFRS)	(13,255)	(11,857)	(11,734)	(13,936)
Average Number of Shares Outstanding (m)	5.2	5.2	6.6	7.4
EPS - normalised (C$)	(1.76)	(2.05)	(1.66)	(1.77)
EPS - IFRS (C$)	(2.56)	(2.27)	(1.77)	(1.87)
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	1,241	1,642	1,485	1,316
Intangible Assets	1,185	1,092	1,069	1,069
Tangible Assets	56	550	397	228
Other	0	0	19	19
Current Assets	18,548	8,603	7,318	6,593
Stocks	0	0	0	0
Debtors	0	0	0	0
Cash	18,039	7,970	6,550	5,825
Other	509	633	768	768
Current Liabilities	(1,563)	(2,284)	(2,500)	(2,500)
Creditors	(1,563)	(2,284)	(2,500)	(2,500)
Short term borrowings	0	0	0	0
Long Term Liabilities	0	(338)	(314)	(12,814)
Long term borrowings	0	0	0	(12,500)
Other long term liabilities	0	(338)	(314)	(314)
Net Assets	18,226	7,622	5,989	(7,405)
CASH FLOW				
Operating Cash Flow	(8,769)	(9,767)	(10,829)	(13,156)
Net Interest	0	0	0	0
Tax	0	0	0	0
Capex	(35)	(57)	(63)	(69)
Acquisitions/disposals	0	0	0	0
Financing	273	(138)	9,472	0
Dividends	0	0	0	0
Other	0	1	0	0
Net Cash Flow	(8,532)	(9,962)	(1,420)	(13,225)
Opening net debt/(cash)	(26,477)	(18,039)	(7,970)	(6,550)
HP finance leases initiated	0	0	0	0
Exchange rate movements	0	0	0	0
Other	94	(107)	0	0
Closing net debt/(cash)	(18,039)	(7,970)	(6,550)	6,675

Source: Company accounts, Edison Investment Research

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