EDISON

InMed Pharmaceuticals

Financial update

INM-755 Phase II about to begin

Pharma & biotech

In the coming weeks, InMed expects to begin patient enrolment in a Phase II (755-201-EB) trial for INM-755 in up to 20 epidermolysis bullosa (EB) patients with an anticipated treatment duration of 28 days. Clinical Trial Applications have been filed in all seven participating countries. Patients with all four subtypes of inherited EB, EB Simplex, Dystrophic EB, Junctional EB and Kindler syndrome, will be eligible for the trial. Current expectations are for the trial to enroll in approximately a year.

Year end	Revenue (US$m)	PBT* (US$m)	EPS* (US$)	DPS (US$)	P/E (x)	Yield (%)
06/20	0.0	(9.0)	(1.73)	0.00	N/A	N/A
06/21	0.0	(10.3)	(1.53)	0.00	N/A	N/A
06/22e	0.0	(12.8)	(1.06)	0.00	N/A	N/A
06/23e	0.0	(11.2)	(0.89)	0.00	N/A	N/A

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

BayMedica merger expected to close within weeks

InMed has recently announced that it has entered into a definitive agreement to acquire BayMedica, a private US-based company that is focusing on the manufacture and commercialization of rare cannabinoids. The combined company will have multiple tools to produce rare cannabinoids at meaningful yields and at attractive costs and will have a growing commercial product. The acquisition is expected to close in the coming weeks.

INM-088 progressing

With regards to INM-088 for glaucoma, the company has continued to set up a larger scale drug manufacturing process. The product produced from the larger scale will be used to support the upcoming good laboratory process (GLP) studies. which are expected to commence mid-CY22. An IND filing may occur in H2 CY22.

755-201-EB trial to enroll patients in seven countries

The company expects to begin the 755-201-EB trial in the coming weeks. Clinical Trial Applications have been filed in all seven participating countries: Germany, France, Italy, Austria, Greece, Israel and Serbia.

Valuation: US$293m or US$24.24 per basic share

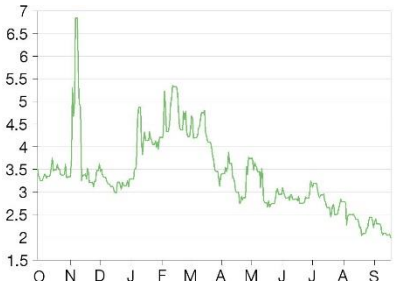
We have increased our valuation from US$242m or US$20.03 per basic share to US$293m or US$24.24 per basic share. With INM-755 set to move into Phase II shortly, we have increased its probability of success from 10% to 20%, our standard rate for a drug at this stage of development. InMed had US$7.4m in cash and marketable securities at 30 June 2021 and subsequently (in July 2021) raised approximately US$12m in gross proceeds (US$11m net) from a private placement. We currently model an additional US$11m being raised in FY23, though the exact level of funding requirement will depend on the expense level for the combined companies. We will update our financial model once the acquisition closes and we have some clarity on cash needs.

29 September 2021

Price	**US$1.8**
Market cap	**US$22m**

Net cash (US$m) at 30 June 2021 + offering	18.4
Shares in issue (includes 3.1m shares subject to pre-funded warrant exercises)	12.1m
Free float	82.9%
Code	INM
Primary exchange	Nasdaq
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(25.4)	(38.5)	(49.3)
Rel (local)	(22.7)	(39.4)	(61)
52-week high/low		US$7	US$2

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

INM-755 Phase II initiation	Q3/Q4 CY21

Analysts

Maxim Jacobs +1 646 653 7027

Jyoti Prakash +91 981 880 393

healthcare@edisongroup.com

Edison profile page

Clinical update

As expected, InMed anticipates commencing enrolment in its Phase II for INM-755 in EB patients in the coming weeks. The trial will enroll up to 20 EB patients and have a treatment duration of 28 days. Patients with all four subtypes of inherited EB, EB Simplex, Dystrophic EB, Junctional EB and Kindler syndrome, will be eligible for the trial. The study will use a within-patient, double-blind design whereby matched index areas will be randomized to be treated with either INM-755 or a vehicle cream. Current expectations are for the trial to complete enrollment in approximately a year. Clinical Trial Applications have been filed in all seven participating countries: Germany, France, Italy, Austria, Greece, Israel and Serbia.

InMed previously announced the results of both its Phase I trials, 755-101-HV and 755-102-HV. Trial 755-101-HV 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. 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. No systemic adverse events were reported. Importantly, the INM-755 creams did not introduce any delay in wound healing.

With regards to INM-088 for glaucoma, the company has continued to set up a larger-scale drug manufacturing process (combining cannabinol (CBN) and the MiDrops delivery technology from EyeCRO). The product produced from the larger scale will be used to support the upcoming good laboratory process (GLP) studies, which are expected to commence mid-CY22. An IND may be filed in H2 of CY22 though the company will update this estimate as it progresses through the remaining preclinical program. Of note, the company recently disclosed in vivo animal data for INM-088 at the H.C. Wainwright Ophthalmology Virtual Conference, which indicated a significant lowering of intraocular pressure (IOP) at days 7 and 17 compared to the vehicle treated group. These data have been submitted to a peer-reviewed journal.

Valuation

We have increased our valuation from US$242m or US$20.03 per basic share to US$293m or US$24.24 per basic share. With INM-755 set to move into Phase II shortly, we have increased its probability of success from 10% to 20%, our standard rate for a drug at this stage of development.

Exhibit 1: InMed valuation table

Program	Stage	Probability of success	Launch year	Peak sales (US$m)	rNPV (US$m)
Biosynthesis (manufacturing)	Development	23%	2022	1,243	$224
INM-755	Phase II	20%	2026	313	$51
Total					$274.9
Net cash and equivalents (as of 30 June plus offering) (US$m)					$18.4
Total firm value (US$m)					**$293.31**
Total basic shares (as of 7 September 2021, m)					12.10
Value per basic share (US$)					**$24.24**
Options and warrants (m)					7.4
Total diluted shares (as of 7 September 2021, m)					19.5
Value per diluted share (US$)					$15.04

Source: Edison Investment Research

Financials

InMed reported a net loss of US$10.2m in FY21 (the period ending 30 June 2021), up from US$8.9m in FY20 mainly due to higher SG&A expenses (US$4.5m in FY21 vs US$3.2m in FY20). We have made some changes to our financial model for FY22, increasing R&D expenses by US$1.7m and increasing SG&A by US$0.2m. We have also introduced FY23 estimates, which feature slightly higher SG&A spending and somewhat lower R&D spending (as the Phase II is expected to conclude in FY22), as well as higher net financial expense, resulting in an expected net loss of US$11.4m in FY23 compared to our expected net loss of $13.0m in FY22. Note that these estimates do not include BayMedica. We will update our model once the acquisition closes and we have a better sense of revenue and expenses going forward.

InMed had US$7.4m in cash and marketable securities at 30 June 2021 and subsequently (in July 2021) raised approximately US$12m in gross proceeds (US$11m net) from a private placement. We currently model an additional US$11m being raised in FY23, though the exact level of funding requirement will depend on the expense level for the combined companies (InMed plus BayMedica).

As a reminder, InMed is acquiring BayMedica in an all-stock transaction in which InMed will issue 1.78m shares to BayMedica's equity and convertible debt holders. At the current stock price, this values BayMedica at approximately US$3m. This may be reduced in the event that BayMedica's net liabilities exceed a certain negotiated threshold at the closing of the transaction. BayMedica's equity and debt holders will also receive Series A warrants to purchase up to 800,000 shares with an exercise price equal to 125% of the 20-day volume-weighted average closing price of InMed shares prior to the third business day before the closing of the proposed transaction (the 'Deal Price') and Series B warrants to acquire up to 800,000 common shares of InMed priced at 200% of the 'Deal Price'.

Exhibit 2: Financial summary

US$'000s	2020	2021	2022e	2023e
Year end 30 June	US GAAP	US GAAP	US GAAP	US GAAP
PROFIT & LOSS				
Revenue	0	0	0	0
Cost of Sales	0	0	0	0
Gross Profit	0	0	0	0
Research and development	(5,811)	(5,338)	(8,007)	(5,285)
Selling, general & administrative	(3,227)	(4,479)	(4,659)	(4,845)
EBITDA	(9,038)	(9,817)	(12,666)	(10,130)
Operating Profit (before amort. and except.)	(9,151)	(9,938)	(12,786)	(10,250)
Intangible Amortisation	0	0	0	0
Exceptionals/Other	82	(163)	(170)	(176)
Operating Profit	(9,069)	(10,101)	(12,956)	(10,427)
Net Interest and financial expense	130	(344)	0	(939)
Other (change in fair value of warrants)	0	243	0	0
Profit Before Tax (norm)	(9,021)	(10,283)	(12,786)	(11,190)
Profit Before Tax (IFRS)	(8,939)	(10,203)	(12,956)	(11,366)
Tax	0	0	0	0
Deferred tax	0	0	0	0
Profit After Tax (norm)	(9,021)	(10,283)	(12,786)	(11,190)
Profit After Tax (IFRS)	(8,939)	(10,203)	(12,956)	(11,366)
Average Number of Shares Outstanding (m)	5.2	6.7	12.1	12.6
EPS - normalised (US$)	(1.73)	(1.53)	(1.06)	(0.89)
EPS - GAAP (US$)	(1.71)	(1.52)	(1.07)	(0.90)
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	1,490	1,403	1,284	1,165
Intangible Assets	1,087	1,062	1,062	1,062
Tangible Assets	403	327	208	89
Other	0	15	15	15
Current Assets	6,312	8,378	7,176	7,588
Stocks	0	0	0	0
Debtors	45	12	12	12
Cash	5,848	7,410	6,207	6,620
Other	419	957	957	957
Current Liabilities	(1,676)	(2,215)	(2,215)	(2,215)
Creditors	(1,676)	(2,215)	(2,215)	(2,215)
Short term borrowings	0	0	0	0
Long Term Liabilities	(248)	(189)	(189)	(11,189)
Long term borrowings	0	0	0	(11,000)
Other long term liabilities	(248)	(189)	(189)	(189)
Net Assets	5,878	7,377	6,055	(4,651)
CASH FLOW				
Operating Cash Flow	(7,375)	(10,151)	(12,201)	(10,585)
Net Interest	0	360	0	0
Tax	0	0	0	0
Capex	(43)	(2)	(2)	(2)
Acquisitions/disposals	0	0	0	0
Financing	(31)	10,855	11,000	0
Dividends	0	0	0	0
Other	1	0	0	0
Net Cash Flow	(7,448)	1,062	(1,203)	(10,587)
Opening net debt/(cash)	(13,784)	(5,848)	(7,409)	(6,207)
HP finance leases initiated	0	0	0	0
Exchange rate movements	416	(495)	0	0
Other	(905)	994	0	0
Closing net debt/(cash)	(5,848)	(7,409)	(6,207)	4,381

Source: company reports, Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia