

InMed Pharmaceuticals

New product launch

THCV launch expands rare cannabinoids portfolio

InMed Pharmaceuticals has announced the launch of tetrahydrocannabivarin (d9-THCV) into B2B sales for the health and wellness industry. This marks the latest addition to its growing commercial footprint in high-value rare cannabinoids. Unlike tetrahydrocannabinol (THC), THCV is non-psychoactive and has shown indications of potential activity in combating obesity, diabetes, anxiety, Alzheimer's disease and epilepsy. The launch and commercialization will be supported by InMed's recently announced private placement, raising gross proceeds of \$5m, potentially extending its cash runway into CY23. We adjust our valuation to account for the recent share offering and cash received to \$85m (base, \$4.1/share) versus our prior \$80m (base, \$5.6/share).

Year end	Revenue (US\$m)	EBITDA* (US\$m)	PBT* (US\$m)	EPS* (US\$)	P/revenue (x)	Net cash/(debt) (US\$m)
06/20	0.0	(9.0)	(9.0)	(1.73)	N/A	5.5
06/21	0.0	(9.8)	(10.3)	(1.53)	N/A	7.1
06/22e	1.8	(14.6)	(14.8)	(0.98)	6.7	6.5
06/23e	10.2	(13.2)	(13.8)	(0.64)	1.2	(6.1)

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

THCV: Latest health and wellness product launch

The launch of THCV is the latest in the steady stream of high-value, rare cannabinoid launches undertaken by InMed's wholly owned subsidiary BayMedica in recent months (cannabichromene in Q1 CY22 and cannabidivarin in October 2021). The focus on rare cannabinoids also provides differentiation in the market while de-risking the remaining pharma side of the business, which typically requires a longer clinical and regulatory review commitment. THCV, in particular, has shown potential activity as an appetite suppressant and anti-seizure therapy and is being actively tested as a treatment for obesity and diabetes. We note that InMed is manufacturing d9-THCV, believed to be bioidentical to the naturally occurring plant variant (versus d8-THCV, which is not bioidentical) and the variant utilized in the majority of studies on THCV undertaken to date, according to management. InMed has also indicated that it plans to launch further rare cannabinoids in CY22.

Valuation: Adjusted forecast, \$4.1/share (base)

We adjust our base-case valuation to account for [the recent private placement](#) and projected cash received to \$85m (\$4.1/share) versus our prior \$80m (\$5.6/share). We expect the \$5m gross proceeds raised to be utilized for pipeline development, commercialization of InMed's rare cannabinoid portfolio and to fund operating working capital. The proceeds were raised against the issue of 5,827,506 common shares (c 40% of the c 14.6m shares outstanding at the end of May 2022). This has led to shareholder dilution, but a strong uptake of the launched products could potentially strengthen the company's longer-term business prospects. Based on the company's quarterly cash burn of c \$3-4m, this fund-raise could potentially fund operations into CY23. The company would likely need to raise further capital in FY23-24 but we expect the recent launches of high-value rare cannabinoids to provide significant revenue growth in the coming years.

Pharma & biotech

17 June 2022

Price **\$0.58**
Market cap **\$12m**

Net cash (\$m) at 31 March 2022, pro forma adjusted to include proceeds from June 2022 private placement 10.0

Shares in issue, including 5.8m June 2022 share issuance 20.5m

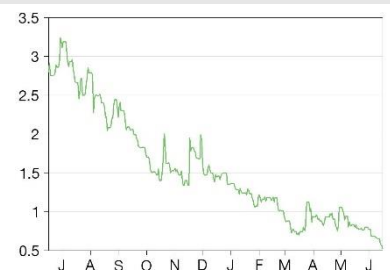
Free float 80%

Code INM

Primary exchange NASDAQ

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (33.7) (24.2) (81.1)

Rel (local) (27.5) (9.9) (78.2)

52-week high/low US\$3.2 US\$0.5

Business description

InMed Pharmaceuticals is a biopharmaceutical company focused on manufacturing, developing and commercializing cannabinoids. It commercializes rare cannabinoids to the health and wellness industry with flexibility across several manufacturing approaches. It is also a clinical-stage pharma company developing rare cannabinoid therapeutics.

Next events

FY22 results TBD

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InMed Pharmaceuticals is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	US\$'000s	2020	2021	2022e	2023e	2024e
Year end 30 June		US GAAP	US GAAP	US GAAP	US GAAP	US GAAP
PROFIT & LOSS						
Revenue		0	0	1,766	10,191	12,078
Cost of Sales		-	-	(1,244)	(7,814)	(8,826)
Gross Profit		0	0	523	2,377	3,252
Research and development		(5,811)	(5,338)	(8,007)	(8,327)	(8,661)
Selling, general & administrative		(3,227)	(4,479)	(7,116)	(7,201)	(7,397)
EBITDA		(9,038)	(9,817)	(14,601)	(13,151)	(12,805)
Operating Profit (before amort. and excepts.)		(9,151)	(9,938)	(14,786)	(13,342)	(13,000)
Intangible Amortisation		-	-	-	-	-
Exceptionals/Other		82	(163)	(26)	(26)	(26)
Operating Profit/(Loss)		(9,069)	(10,101)	(14,812)	(13,368)	(13,026)
Net Interest and financial expense		130	(344)	17	(474)	(1,504)
Other (change in fair value of warrants)		-	243	-	-	-
Profit Before Tax (norm)		(9,021)	(10,283)	(14,769)	(13,816)	(14,504)
Profit Before Tax (GAAP)		(8,939)	(10,203)	(14,795)	(13,842)	(14,530)
Tax		-	-	-	-	-
Deferred tax		-	-	-	-	-
Profit After Tax (norm)		(9,021)	(10,283)	(14,769)	(13,816)	(14,504)
Profit After Tax (GAAP)		(8,939)	(10,203)	(14,795)	(13,842)	(14,530)
Average Number of Shares Outstanding (m)		5.2	6.7	15.1	21.7	22.6
EPS - normalised (c)		(172.80)	(153.02)	(97.62)	(63.67)	(64.28)
EPS - GAAP (US\$)		(1.71)	(1.52)	(0.98)	(0.64)	(0.64)
Dividend per share (c)		-	-	-	-	-
Gross Margin (%)		NA	NA	29.6%	23.3%	26.9%
EBITDA Margin (%)		NA	NA	NA	NA	NA
Operating Margin (before GW and except.) (%)		NA	NA	NA	NA	NA
BALANCE SHEET						
Fixed Assets		1,490	1,403	6,721	6,721	6,721
Intangible Assets		1,087	1,062	4,378	4,378	4,378
Tangible Assets		403	327	985	985	985
In Process R&D		0	0	1,249	1,249	1,249
Other		0	15	109	109	109
Current Assets		6,312	8,378	10,529	9,824	8,330
Stocks		0	0	1,420	1,000	1,000
Debtors		45	12	400	650	900
Cash		5,848	7,410	7,397	6,863	5,118
Other		419	957	1,312	1,312	1,312
Current Liabilities		(1,676)	(2,215)	(4,738)	(5,128)	(5,387)
Creditors		(1,607)	(2,135)	(3,500)	(3,850)	(4,100)
Short term borrowings		0	0	(29)	(29)	(29)
Finance lease obligations		(69)	(80)	(400)	(400)	(400)
Other		0	0	(809)	(849)	(858)
Long Term Liabilities		(248)	(189)	(494)	(12,494)	(24,494)
Long term borrowings		0	0	0	(12,000)	(24,000)
Other long term liabilities		0	0	0	0	0
Finance lease obligations		(248)	(189)	(494)	(494)	(494)
Net Assets		5,878	7,377	12,019	(1,076)	(14,830)
CASH FLOW						
Operating Cash Flow		(7,375)	(10,151)	(14,890)	(12,457)	(14,682)
Net Interest		0	360	1	512	1,532
Tax		0	0	0	0	0
Capex		(43)	(2)	(175)	(590)	(595)
Acquisitions/disposals		0	0	0	0	0
Equity Financing		(31)	10,855	15,706	0	0
Dividends		0	0	0	0	0
Other		1	0	92	0	0
Net Cash Flow		(7,448)	1,062	733	(12,535)	(13,745)
Opening net debt/(cash), not incl. leases		(13,784)	(5,848)	(7,409)	(7,368)	5,167
HP finance leases initiated		0	0	0	0	0
Exchange rate movements		416	(495)	0	0	0
Other		(905)	994	(775)	0	0
Closing net debt/(cash)		(5,848)	(7,409)	(7,368)	5,167	18,911
Closing net debt/(cash), incl. leases		(5,531)	(7,140)	(6,474)	6,060	19,805

Source: InMed Pharmaceuticals, Edison Investment Research

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