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Kintara Therapeutics, Inc. (KTRA - NASDAQ)

Merger Complete

Based on our DCF model and a 15% discount rate, Kintara Therapeutics is valued at approximately $4.00 per share. Our model applies a 60% probability of ultimate approval and commercialization for VAL-083 in GBM and a 50% probability of approval REM-001 in CMBC. The model includes contributions from the United States and Europe. Other regions will be included upon further clarity.

Current Price (10/5/20)	$1.56
Valuation	**$4.00**

OUTLOOK

Kintara Therapeutics is an oncology-focused R&D company pursuing an indication in GBM with VAL-083 & CMBC with REM-001. The two products were recently joined in a merger by sponsors DelMar Pharmaceuticals and Adgero Biopharmaceuticals.

VAL-083's profile is well-known as it has been assessed in 40+ Ph1 & Ph2 trials sponsored by the NCI. VAL-083 is approved in China for CML and lung cancer and is being investigated in two Ph2 GBM trials in the US and China sponsored by Kintara.

The GCAR study should launch before year-end 2020 and yield Ph3 topline results in 2023. Working with the GCAR AGILE study should accelerate results in recurrent and newly diagnosed methylated and unmethylated patients while limiting total cost.

REM-001 to start a confirmatory trial in 2021 which will subsequently move into a 100-patient Ph3 trial. Trial completion expected by the end of 2023 followed by an NDA filing.

Our valuation assumes a 2025 regulatory approval and subsequent large pharma partner deal for commercialization of VAL-083 and a 2024 approval and deal followed by a launch of REM-001.

SUMMARY DATA

52-Week High	**$1.95**
52-Week Low	**$0.38**
One-Year Return (%)	**229**
Beta	**2.1**
Average Daily Volume (sh)	**561,921**
Shares Outstanding (mil)	**45.2**
Market Capitalization ($mil)	**$70.5**
Short Interest Ratio (days)	**0.5**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2020 Estimate	**N/A**
P/E using 2021 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(in millions of $US)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Sep)	Year (Jun)
2019	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2020	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2021					$0.0 E
2022					$0.0 E

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Sep)	Year (Jun)
2019	-$0.88 A	-$0.75 A	-$0.67 A	$0.85 A	-$3.16 A
2020	-$0.21 A	-$0.15 A	-$0.17 A	-$0.33 A	-$0.87 A
2021					-$0.56 E
2022					-$0.64 E

WHAT'S NEW

Full Year Fiscal 2020 Operational and Financial Results

On September 21, 2020 Kintara Therapeutics Inc. (NASDAQ: KTRA) issued a press release and filed its 10-K with the SEC for the fiscal year ending June 30, 2020. The reporting period presented in the filing and press release preceded the merger between DelMar Pharmaceuticals and Adgero Biopharmaceuticals Holdings approved on August 17. Subsequent to the merger close, Kintara raised $25 million in gross proceeds, which will support the entry of VAL-083 and REM-001 into registrational trials for glioblastoma multiforme (GBM) and cutaneous metastatic breast cancer (CMBC).

2020 was a busy year for Kintara, with advancements in GBM trial enrollment and reporting of results including interim data from the ongoing Phase II studies presented at AACR. In a strong vote of confidence by the Global Coalition for Adaptive Research (GCAR), Kintara's GBM program for VAL-083 was selected to participate in the Glioblastoma Adaptive Global Innovative Learning Environment (GBM AGILE) study. A $500,000 loan was granted to the company from the National Brain Tumor Society and National Foundation for Cancer Research to support preparation for the study.

Other key events following the end of the reporting period include the company regaining compliance with minimum bid requirements on the NASDAQ and the receipt of a Small Business Technology Transfer grant to study REM-001 for the prevention of arteriovenous fistula maturation failure (AFMF).

Kintara, doing business as DelMar Pharmaceuticals, Inc., reported no revenues in 2020. Operating costs were $8.1 million which excludes merger costs of $1.1 million. Other income includes interest income of $75,000, partially offset by a small foreign exchange loss. Net loss was ($9.1) million or ($0.87) per share. Research and development expenses were $3.6 million, essentially flat with FY:19 levels. Lower preclinical research, personnel and intellectual property expense were offset by higher clinical development costs. General and administrative costs of $4.5 million fell 5% over prior year levels. The contraction was attributable to lower professional fees and share-based compensation partially offset by higher office and sundry expenses. Merger expenses of $1.1 million did not appear in the prior year and relate to the preparatory work for the combination of DelMar and Adgero.

Cash on the balance sheet as of June 30, 2020 was $2.4 million, compared to $3.7 million as of fiscal year end 2019. The change was the sum of ($7.9) million of cash burn offset by cash from financing of $6.6 million. Following the end of the quarter, Kintara raised $25.0 million gross and $21.7 million net from the issuance of Series C Preferred Stock.[1]

Series C Preferred Stock

After completing the merger between DelMar and Adgero, Kintara issued 28,400 units of Series C Preferred Stock. This instrument can be converted to regular shares of common stock at any time in a ratio of 862 shares of common stock for each Series C Preferred unit. On each anniversary of the issue date, for continuing holders of the Series C Preferred, a Series C Preferred Stock dividend will be paid over the four year life of the instrument. A dividend of 10%, 15%, 20% and 25% will be paid on each anniversary based on the original number of shares issued. This structure encourages the long term holding of Kintara Series C Preferred shares as dividends are only paid for continuing holders. Once the shares are converted to common equity, they no longer produce a dividend.

Since Our Initiation

Since our initiation on September 9th, Kintara has continued to advance the VAL-083 and REM-001 programs towards pivotal studies. The company also received notification of a Small Business Technology Transfer grant to study the use of REM-001 in the prevention of arteriovenous fistula maturation failure (AFMF). AFMF is a cardiovascular-related condition that occurs in hemodialysis patients. While it is in a non-oncology indication, it is an opportunity to use non-dilutive funds to advance a candidate in the company's pipeline. There may be an additional grant at a later date that is likely to provide sufficient funds to advance the indication to the investigational new drug (IND) stage at which time a partner would be identified to take it into the clinic.

[1] Note that shares outstanding used to calculate our target price includes share balance as of September 15 as reported on page 1 of the 2020 10-K, assumed conversion of the Series B Preferred Stock and assumed conversion of the Series C Preferred Stock.

Our Thesis

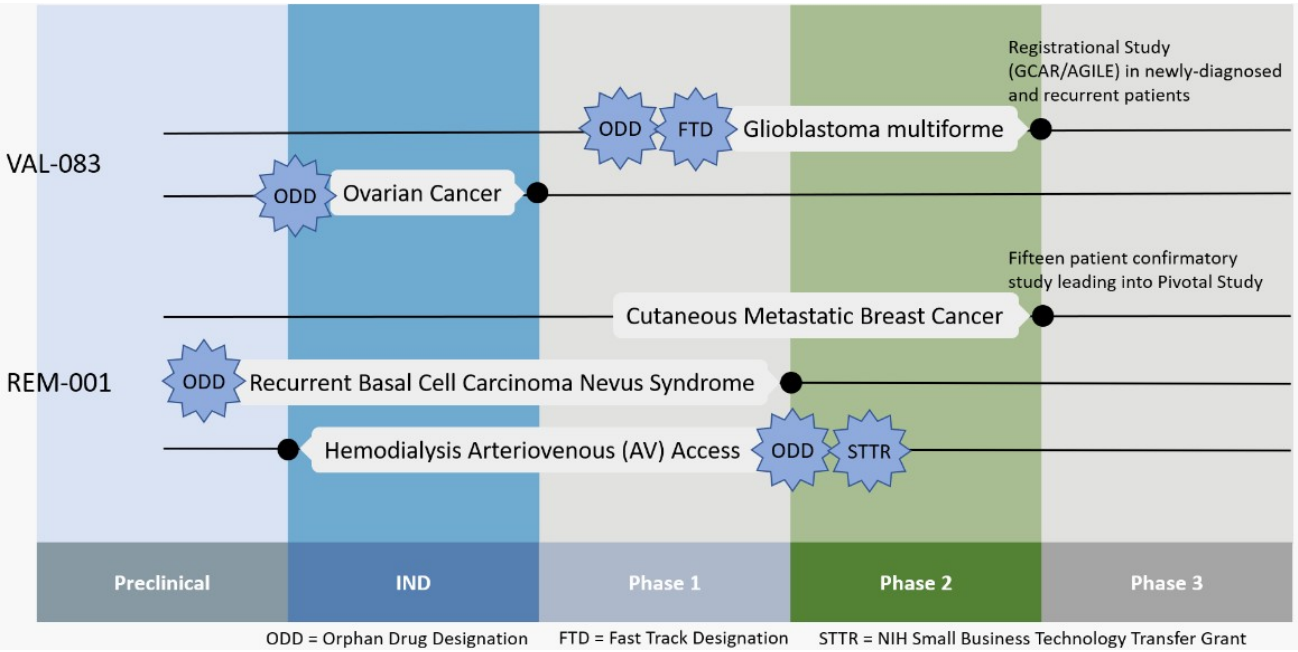
Kintara is developing multiple oncology assets. The first, VAL-083, is expected to yield topline results in 2023, followed by a new drug application (NDA) and a 2025 launch of the product in selected geographies. The second is REM-001, a photodynamic therapy (PDT) that consists of a drug, a laser light source and a light delivery device, which is expected to start a confirmatory trial in 2021 and later convert into a Phase III study, generating data by late 2023, followed shortly after by NDA submission and commercialization in 2024.

VAL-083 presents a differentiated mechanism of action and a favorable safety profile, especially in contrast to other agents. It is a bifunctional compound that is able to alkylate N^7-guanine to form interstrand crosslinks and force double strand breaks. Unlike TMZ, the response to VAL-083 is not dependent on MGMT promoter methylation status. At the target dose, only a minority of patients presented dose limiting toxicities and the drug is well tolerated. For the GCAR study, there are now near 30 sites that are ready to enroll once VAL-083 protocols are approved at each location and additional sites that will open soon.

REM-001, will begin a dose identifying confirmatory study in 2Q:21 enrolling up to 15 patients as a direct lead in to Phase III. Extensive studies have been conducted that have characterized the safety and efficacy of REM-001 to address CMBC. The cancer has no effective treatments despite minor benefits from surgery, chemotherapy, radiotherapy and other approaches.

Kintara Therapeutics was recently formed from the combination of DelMar Pharmaceuticals and Adgero Biopharmaceuticals, with the former sponsoring VAL-083 and the latter developing REM-001. Adding REM-001 provides a second Phase III-ready asset and additional pipeline expansion opportunities including future possible indications. This includes cancers such as recurrent basal cell carcinoma nevus syndrome (BCCNS), locally advanced basal cell carcinoma (laBCC) and cutaneous metastatic cancers other than breast, such as lung, ovarian and colon.

Exhibit I – Kintara Pipeline[2]



[2] Source: Kintara September 2020 Corporate Overview Slide Deck

Key reasons to own Kintara shares:

- **Phase III ready assets to address an unmet need in GBM and CMBC**
- **VAL-083 is a well-understood chemotherapy agent with long history of use in other cancers**
  - **Granted orphan status for both GBM and ovarian cancer**
  - **Differentiated mechanisms that cross blood brain barrier and block repair enzyme**
  - **Favorable drug safety profile**
- **Acceptance of VAL-083 into the highly regarded GCAR AGILE GBM study**
  - **Provides registrational pathway with top tier partners**
- **REM-001 addresses unmet need in CMBC**
  - **Substantial work completed to characterize safety and efficacy (~1,100 patients in safety database)**
  - **Light activated drug reduces systemic risk**
  - **Small inexpensive trial may be sufficient for approval**
- **Additional indications for VAL-083 and REM-001 in clinical development**

Corporate Milestones

Kintara is conducting multiple clinical trials for GBM in VAL-083 and will soon launch a pivotal study for REM-001. The focus for the company is to complete the various Phase II trials underway and begin the GCAR registrational effort before year end 2020 and REM-001 by 2Q:21. Below we list recent milestones and anticipated future events.

- Completed enrollment, newly diagnosed GBM – 1Q:20
- Acquisition of Adgero announced – June 2020
- NBTS & NFCR Loan in Support of GCAR – June 2020
- Complete enrollment, recurrent GBM – 3Q:20
- Merger Vote/Merger Close – August 14, 2020
- Launch GCAR AGILE registration study, stage 1 – 4Q:20
- Top-line preliminary results for Newly Diagnosed Phase II GBM study at SNO – 4Q:20
- Top-line preliminary results for Recurrent Phase 2 GBM study – 1Q:21
- Initiate CMBC confirmatory trial – 2Q:21
- Top-line preliminary results for Adjuvant Phase 2 GBM study – 2Q:21
- CMBC confirmatory trial results & Phase III start – 4Q:21
- GCAR AGILE registration study, stage 2 – 1H:22
- CMBC trial complete – 2023
- CMBC NDA filing - 2024
- GCAR AGILE top-line results – 2023

Summary

Kintara is developing a pair of well-researched therapies in oncology with several characteristics that make the candidates particularly amenable to addressing GBM and CMBC. For VAL-083, the ability to cross the blood brain barrier and overcome DNA-repair enzyme resistance combined with the agent's affinity to be absorbed by cancer cells provides a mechanism of action that may provide superior safety and efficacy to current standard of care. In the case of REM-001, the targeted nature of the approach avoids systemic exposure and addresses many of the shortcomings of surgery, chemotherapy and radiotherapy. Kintara offers exposure to two large oncology markets and is developing two assets primed to enter pivotal studies. With a wealth of data available for VAL-083 and an unmet need in CMBC, we see Kintara as diversified and undervalued. We maintain our target price of $4.00 per share.

PROJECTED FINANCIALS

Kintara Therapeutics, Inc. - Income Statement[3]

Kintara Therapeutics, Inc.	2019 A	Q1 A	Q2 A	Q3 A	Q4 A	2020 E	2021 E	2022 E
Total Revenues ($US)	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Research & Development	$3,662	$721	$712	$899	$1,298	$3,630	$15,550	$24,450
General & Administrative	$4,736	$914	$1,054	$1,078	$1,470	$4,515	$4,155	$4,400
Income from operations	($8,398)	($1,635)	($1,766)	($1,976)	($2,767)	($8,145)	($19,705)	($28,850)
Change in Fair Value of Derivative	($434)	$0	$0	$0	$0	$0	$0	$0
Foreign Exchange Loss	$18	($0)	$2	($2)	$3	$3	$0	$0
Interest Income	($61)	($29)	($28)	($17)	($1)	($75)	($40)	($40)
Other Items	$126	$0	$0	$0	$1,054	$1,054	$0	$0
Preferred Stock Dividend	$80	$2	$3	$1	$3	$9	$0	$0
Pre-Tax Income	($8,129)	($1,608)	($1,743)	($1,958)	($3,826)	($9,135)	($19,665)	($28,810)
Provision for Income Tax	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Income	**($8,129)**	**($1,608)**	**($1,743)**	**($1,958)**	**($3,826)**	**($9,135)**	**($19,665)**	**($28,810)**
Reported EPS	**($3.16)**	**($0.21)**	**($0.15)**	**($0.17)**	**($0.33)**	**($0.87)**	**($0.56)**	**($0.64)**
YOY Growth	*58%*	*-75.8%*	*-79.7%*	*-74.4%*	*-60.7%*	*-72%*	*-36%*	*14%*
Basic Shares Outstanding	2,575	7,539	11,408	11,417	11,429	10,444	35,000	45,000

Source: Company Filing // Zacks Investment Research, Inc. Estimates

[3] Financial statement information presents data as originally reported.

HISTORICAL STOCK PRICE

Kintara Therapeutics, Inc. – Share Price Chart[4]

[4] Source: Zacks Research System

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