

Viralytics

AACR preview

Cavatak combo data at AACR next month

Viralytics will present updates on three Phase Ib trials of Cavatak in combination with marketed immune checkpoint inhibitor (ICI) drugs at the AACR conference in the first week of April, including two prestigious podium presentations. The presentations will include preliminary data from the MITCI and CAPRA intralesional injection trials and an update on the Keynote 200 (STORM) IV Cavatak trial. We leave our valuation unchanged at A\$385m or A\$1.60/share as we await the updates.

Year end	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/15	2.5	(5.5)	(3.0)	0.0	N/A	N/A
06/16	4.7	(8.0)	(3.8)	0.0	N/A	N/A
06/17e	4.4	(10.2)	(4.3)	0.0	N/A	N/A
06/18e	3.2	(8.6)	(3.6)	0.0	N/A	N/A

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

Preliminary data on Cavatak intralesional combos...

Viralytics will present updates on three Phase Ib trials that are testing its Cavatak oncolytic virus immunotherapy in combination with marketed ICI drugs at the American Association for Cancer Research (AACR) conference in Washington DC on 1-5 April. Updated preliminary results will be presented on two studies of Cavatak delivered by intratumoural injection in melanoma patients, in combination with IV doses of either Keytruda (in CAPRA) or Yervoy (in the MITCI study).

...plus an update on Keynote 200 IV Cavatak combo

There will also be a report at AACR on progress in the Keynote 200 (STORM Part B) study of IV Cavatak in combination with Keytruda. The trial has completed the first two cohorts, with no dose-limiting toxicities observed. The third and highest-dose expansion cohort commenced recruitment in January 2017; ~80 patients (~40 NSCLC and ~40 metastatic bladder cancer) will be treated at a higher dose (1×10^9 TCID₅₀) in this cohort. If IV administration of Cavatak can be shown to increase responses to ICI drugs, this would expand the range of cancers that it could potentially be used to treat and would enhance its commercial value.

PsiOxus deal illustrates potential value

The December 2016 licence deal between Bristol-Myers Squibb and the unlisted British biotech PsiOxus for its preclinical oncolytic virus NG-348 highlights the potential value of oncolytic virotherapy products. Terms included US\$50m upfront, and up to \$886m in development, regulatory and sales-based milestones, as well as royalties on net sales. NG-348 is an oncolytic virus that has been armed with two membrane proteins that activate tumour-infiltrating T-cells; like Cavatak, it can be administered by the IV route.

Valuation: Unchanged at A\$385m or A\$1.60/share

Our valuation is unchanged at A\$385m or A\$1.60/share. The PsiOxus deal shows the attractive terms that can be achieved for oncolytic immunotherapies, which supports the increased deal metrics for Cavatak we adopted in our [previous report](#).

Pharma & biotech

9 March 2017

Price **A\$1.06**
Market cap **A\$254m**

US\$0.76/A\$

Net cash (A\$m) at 31 December 2016 39.6

Shares in issue 239.9m

Free float 84.6%

Code VLA

Primary exchange ASX

Secondary exchange OTCQX

Share price performance



%	1m	3m	12m
Abs	(1.4)	(16.3)	63.6
Rel (local)	(3.0)	(19.2)	45.8

52-week high/low	A\$1.27	A\$0.55
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Business description

Viralytics is a biopharmaceutical company developing Cavatak oncolytic virotherapy to target late-stage melanoma and other solid tumour types. It is trialling Cavatak as a monotherapy and in combination with checkpoint inhibitors. The virus can be delivered intravenously or by intralesional injection.

Next events

Keynote 200 Keytruda combo update	April 2017
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MITCI Yervoy combo trial update	April 2017
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CAPRA Keytruda combo trial update	April 2017
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Research Limited**

Exhibit 1: Financial summary

	A\$'000s	2014	2015	2016	2017e	2018e
30-June		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		2,508	2,454	4,655	4,400	3,200
R&D expenses		(4,998)	(5,925)	(8,604)	(11,000)	(8,000)
SG&A expenses		(2,438)	(2,568)	(4,515)	(4,515)	(4,515)
EBITDA		(4,928)	(6,040)	(8,464)	(11,115)	(9,315)
Operating Profit (before amort. and except.)		(4,956)	(6,074)	(8,501)	(11,170)	(9,371)
Intangible Amortisation		(390)	(390)	(390)	(390)	(390)
Exceptionals		0	0	0	0	0
Other		0	0	0	0	0
Operating Profit		(5,346)	(6,465)	(8,891)	(11,560)	(9,761)
Net Interest		296	527	508	922	727
Profit Before Tax (norm)		(4,660)	(5,547)	(7,993)	(10,247)	(8,645)
Profit Before Tax (FRS 3)		(5,050)	(5,938)	(8,383)	(10,637)	(9,035)
Tax		0	0	0	0	0
Profit After Tax (norm)		(4,660)	(5,547)	(7,993)	(10,247)	(8,645)
Profit After Tax (FRS 3)		(5,050)	(5,938)	(8,383)	(10,637)	(9,035)
Average Number of Shares Outstanding (m)		119.2	184.0	212.2	240.3	240.3
EPS - normalised (c)		(3.9)	(3.0)	(3.8)	(4.3)	(3.6)
EPS - normalised fully diluted (c)		(3.9)	(3.0)	(3.8)	(4.3)	(3.6)
EPS - (IFRS) (c)		(4.2)	(3.2)	(3.9)	(4.4)	(3.8)
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0
BALANCE SHEET						
Fixed Assets		2,523	2,116	1,722	1,310	896
Intangible Assets		2,475	2,034	1,643	1,253	863
Tangible Assets		48	82	79	57	33
Investments		0	0	0	0	0
Current Assets		27,120	24,441	50,970	41,175	32,554
Stocks		0	0	0	0	0
Debtors		2,784	2,875	4,849	4,849	4,849
Cash		24,336	21,566	46,121	36,326	27,706
Other		0	0	0	0	0
Current Liabilities		(767)	(1,685)	(2,364)	(2,364)	(2,364)
Creditors		(767)	(1,685)	(2,364)	(2,364)	(2,364)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		0	0	0	0	0
Long term borrowings		0	0	0	0	0
Other long term liabilities		0	0	0	0	0
Net Assets		28,877	24,872	50,328	40,120	31,086
CASH FLOW						
Operating Cash Flow		(5,486)	(5,010)	(8,050)	(11,114)	(9,314)
Net Interest		0	544	508	922	727
Tax		0	0	0	0	0
Capex		(8)	(69)	(33)	(33)	(33)
Acquisitions/disposals		0	0	0	0	0
Financing		25,180	40	30,799	0	0
Dividends		0	0	0	0	0
Net Cash Flow		19,686	(4,495)	23,224	(10,225)	(8,621)
Opening net debt/(cash)		(5,079)	(24,336)	(21,566)	(46,121)	(36,326)
HP finance leases initiated		0	0	0	0	0
Other		(429)	1,725	1,331	429	(0)
Closing net debt/(cash)		(24,336)	(21,566)	(46,121)	(36,326)	(27,706)

Source: Company data, Edison Investment Research

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