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CAR-NK-exosome in-vitro proof of concept for breast cancer

NEED TO KNOW

- **Proof of concept (POC) achieved for CAR-NK-exosomes in vitro**
- **Proprietary platform: how engineered exosomes kill cancer cells**
- **Next steps: enhancing tumour-killing activity and dosing**

CAR-NK-exosome platform achieves POC in in-vitro study using triple negative breast cancer cell lines: INOVIQ (IIQ) has announced the successful conclusion of stage 1 of its POC study into its breast cancer exosome therapy under development. At the highest evaluated dose, IIQ achieved 30% cell death for triple-negative breast cancer (TNBC). With POC achieved and a production process established, IIQ will focus on enhancing the tumour-killing activity and optimising the dose of the engineered exosomes. We view this early-stage result as a positive development. This approach could address some of the off-target effects raised by the FDA around current CAR-T therapies.

Using IIQ's proprietary EXO-ACE technology to target TNBC cells: In the in-vitro POC study, IIQ engineered 'immortalised' natural killer (NK) cells to produce exosomes indefinitely which specifically target and kill TNBC cells. This was achieved by incorporating a chimeric antigen receptor (CAR) on the exosomes' surface. The CAR recognises and binds to a protein that is over-expressed in TNBC cells, allowing the cytotoxic activity to be delivered directly to these cells and reducing off-target effects to non-cancerous cells.

Next steps – enhancing tumour-killing activity and dosing: IIQ will advance its research by pre-stimulating cells with activators to further augment the tumour-killing activity of the exosomes. Further studies planned for CY25 will focus on optimising dosing and evaluating tumour-killing efficacy in animal models as a precursor to commencing preclinical studies.

Investment Thesis

Diversified portfolio of proprietary technology platforms and products: IIQ's portfolio is wide, with its EXO-NET and SubB2M technologies creating substantial new opportunities across its burgeoning research tool, diagnostics and therapeutics pipeline.

Collaboration with UQ to develop the world-first OC screening test using EXO-NET technology: This combines best-in-class exosome capture technology with UQ's unique biomarkers for application in exosome-based liquid biopsies. Our modelling assumes the first revenues in 2027.

SubB2M platform—Strong data in breast and ovarian cancers support the potential to supercharge current tests and monitor disease progression: IIQ expects that the SubB2M-CA15-3 breast cancer test could be ready to partner as a Laboratory-Developed Test in CY25, with further development of the SubB2M ovarian cancer test to follow.

Valuation/Risks

We reiterate our valuation of \$3.42/share or \$3.15/share on a fully diluted basis after adjusting for the time value of money. Key risks: demonstrating efficacy, establishing clinical utility, and meeting regulatory requirements.

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INOVIQ Ltd (ASX:IIQ) is a biotechnology company developing next-generation diagnostics and therapeutics for cancer. INOVIQ has commercialised its fast, efficient and scalable EXO-NET exosome isolation technology for biomarker discovery and diagnostics development, and the hTERT test as an adjunct test for bladder cancer. The company is advancing clinical-stage diagnostics for detection and monitoring of ovarian and breast cancers, and early-stage exosome therapeutics for solid tumours. For more information on INOVIQ, visit www.inoviq.com

Valuation	A\$3.42 (unchanged)
Current price	A\$0.55
Market cap	A\$60m
Cash on hand	A\$10m (30 September 2024)

Upcoming Catalysts / Next News

Period	
1QCY25	Exosome diagnostic agreement
1QCY25	CAR-T-EV in vitro data
2QCY25	TEXO-NET validation data

Share Price (A\$)



Source: FactSet, MST Access

Year end 30 June, AUD unless otherwise noted

MARKET DATA

Price	\$	0.55
52 week high / low	\$	0.47-0.94
Valuation	\$	3.42
Market capitalisation	\$m	60.4
Shares on issue (basic)	m	111
Options / rights	m	9.4
Other equity	m	0.0
Shares on issue (diluted)	m	120.2

12-MONTH SHARE PRICE PERFORMANCE (AS)



INVESTMENT FUNDAMENTALS		FY23A	FY24A	FY25E	FY26E	FY27E
Reported NPAT	\$m	(9.0)	(6.6)	(9.4)	(5.8)	(2.5)
Underlying NPAT	\$m	(9.0)	(6.6)	(9.4)	(5.8)	(2.5)
Reported EPS (diluted)	¢	(9.7)	(7.1)	(8.9)	(5.2)	(2.1)
Underlying EPS	¢	(9.7)	(7.1)	(8.9)	(5.2)	(2.1)
Growth	%					
Underlying PER	x	nm	nm	nm	nm	nm
Operating cash flow per share	¢	(7.6)	(4.1)	(7.5)	(3.9)	(1.2)
Free cash flow per share	¢	(8.0)	(4.3)	(7.6)	(4.0)	(1.3)
Price to free cash flow per share	x	nm	nm	nm	nm	nm
FCF Yield	%	nm	nm	nm	nm	nm
Dividend	¢	0.0	0.0	0.0	0.0	0.0
Payout	%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%
Enterprise value	\$m	53.3	51.5	57.6	52.7	54.5
EV/EBITDA	x	nm	nm	nm	nm	nm
EV/EBIT	x	nm	nm	nm	nm	nm
Price to book (NAV)	x	2.6	2.5	4.4	3.5	4.4
Price to NTA	x	5.6	4.9	12.6	6.2	8.1

KEY RATIOS		FY23A	FY24A	FY25E	FY26E	FY27E
EBITDA margin	%	nm	nm	nm	nm	nm
EBIT margin	%	nm	nm	nm	nm	nm
NPAT margin	%	nm	nm	nm	nm	nm
ROE	%	nm	nm	nm	nm	nm
ROA	%	nm	nm	nm	nm	nm
Net tangible assets per share	\$	0.1	0.1	0.0	0.1	0.1
Book value per share	\$	0.2	0.2	0.1	0.2	0.1
Net debt/(cash)	\$m	(7.1)	(8.8)	(2.7)	(7.7)	(5.8)
Interest cover/ (EBIT/net interest)	x	nm	nm	nm	nm	nm
Gearing (net debt/EBITDA)	x	nm	nm	nm	nm	nm
Leverage (net debt/(net debt + equity))	x	nm	nm	nm	nm	nm

DUPONT ANALYSIS		FY23A	FY24A	FY25E	FY26E	FY27E
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	0.0	0.0	0.1	0.4	0.9
Return on Assets	%	nm	nm	nm	nm	nm
Leverage	x	1.1	1.1	1.1	1.1	1.1
Return on Equity	%	nm	nm	nm	nm	nm

KEY PERFORMANCE INDICATORS		FY23A	FY24A	FY25E	FY26E	FY27E
SubB2M		0.0	0.0	0.0	0.1	0.3
SubB2M		0.0	0.0	0.0	1.9	4.0
EXO-NET Research Use Only		0.0	0.2	1.2	5.9	10.5
EXO-NET DX (Clinical)		0.0	0.0	0.0	0.0	0.0
hTert		0.4	0.3	0.3	0.3	0.3

HALF YEARLY DATA		2H22	1H23	2H23	1H24	2H24
Product revenue	\$m	0.2	0.2	0.2	0.2	0.1
Operating expenses	\$m	(17.9)	(6.3)	(4.5)	(4.0)	(4.3)
EBITDA	\$m	(15.9)	(5.0)	(2.8)	(2.5)	(2.8)
EBIT	\$m	(17.0)	(5.6)	(3.4)	(3.1)	(3.4)
PBT	\$m	(17.0)	(5.6)	(3.4)	(3.1)	(3.4)
Reported NPAT	\$m	(15.5)	(5.6)	(3.4)	(3.1)	(3.4)

PROFIT AND LOSS		FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	\$m	0.4	0.5	1.6	8.2	14.8
Other income	\$m	1.5	1.3	1.3	1.1	1.3
Operating expenses	\$m	(10.9)	(8.3)	(11.8)	(12.0)	(12.8)
EBITDA	\$m	(7.8)	(5.4)	(7.9)	(4.6)	(1.4)
Depreciation & Amortisation	\$m	(1.2)	(1.2)	(1.4)	(1.2)	(1.1)
EBIT	\$m	(9.0)	(6.6)	(9.4)	(5.8)	(2.5)
Interest expense	\$m	0.0	0.0	0.0	0.0	0.0
Pretax Profit	\$m	(9.0)	(6.6)	(9.4)	(5.8)	(2.5)
Tax expense	\$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	\$m	(9.0)	(6.6)	(9.4)	(5.8)	(2.5)
Underlying NPAT	\$m	(9.0)	(6.6)	(9.4)	(5.8)	(2.5)
Shares on issue (end of fiscal year)	m	92.0	105.5	110.8	120.3	120.3

GROWTH PROFILE		FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	%	43.9	34.4	196.5	419.2	79.3
EBITDA	%	nm	nm	nm	nm	nm
EBIT	%	nm	nm	nm	nm	nm
Reported NPAT	%	nm	nm	nm	nm	nm

BALANCE SHEET		FY23A	FY24A	FY25E	FY26E	FY27E
Cash	\$m	7.8	9.2	2.9	7.8	6.0
Receivables	\$m	1.2	1.3	1.3	1.3	1.3
Other	\$m	0.4	0.4	0.4	0.4	0.4
Current assets	\$m	9.4	10.9	4.5	9.5	7.6
PPE	\$m	0.9	0.8	0.9	1.0	1.0
Intangible assets	\$m	10.7	9.7	8.6	7.7	6.8
Goodwill	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.6	0.3	0.5	0.6	0.8
Non current assets	\$m	12.1	10.8	10.0	9.3	8.6
Total assets	\$m	21.5	21.7	14.5	18.7	16.2
Trade and other payables	\$m	0.8	0.9	0.8	0.8	0.8
Lease liabilities	\$m	0.4	0.2	0.2	0.2	0.2
Other	\$m	0.4	0.4	0.4	0.4	0.4
Current liabilities	\$m	1.5	1.5	1.3	1.3	1.3
Lease liabilities	\$m	0.4	0.2	0.0	0.0	0.0
Other liability	\$m	0.0	0.0	0.0	0.0	0.0
Non current liabilities	\$m	0.4	0.2	0.0	0.0	0.0
Total liabilities	\$m	1.9	1.7	1.3	1.3	1.3
Net assets	\$m	19.6	20.0	13.2	17.4	14.9
Share capital	\$m	69.1	75.1	78.4	88.4	88.4
Retained earnings	\$m	(51.1)	(56.9)	(67.0)	(72.8)	(75.3)
Other	\$m	1.6	1.8	1.8	1.8	1.8
Total equity	\$m	19.6	20.0	13.2	17.4	14.9

CASH FLOW		FY23A	FY24A	FY25E	FY26E	FY27E
Net loss for period	\$m	(9.0)	(6.6)	(9.4)	(5.8)	(2.5)
Depreciation & Amortisation	\$m	(1.2)	(1.2)	(1.4)	(1.2)	(1.1)
Changes in working capital	\$m	0.2	(0.0)	(0.1)	0.0	0.0
Other	\$m	2.9	3.5	2.6	2.3	2.1
Operating cash flow	\$m	(7.0)	(4.3)	(8.3)	(4.7)	(1.5)
Payments for PPE	\$m	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Other	\$m	0.0	0.0	0.0	0.0	0.0
Investing cash flow	\$m	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Equity	\$m	0.0	6.8	2.6	10.0	0.0
Lease liability payments	\$m	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)
Other	\$m	0.0	(0.5)	(0.3)	(0.0)	0.0
Financing cash flow	\$m	(0.3)	5.9	2.1	9.8	(0.2)
Cash year end	\$m	7.8	9.2	2.9	7.8	6.0
Free cash flow	\$m	(7.3)	(4.5)	(8.5)	(4.9)	(1.6)

Source: Company reports, MST Access estimates

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INOVIQ (IIQ.AX) | Price A\$0.55 | Valuation A\$3.42;

Price and valuation as at 17 December 2024 (not covered)*

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