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DelMar (NASDAQ/DMPI)

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BUY: Halfway There -P2 Adjuvant Trial in Brain Cancer
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DelMar announced it has exceeded 50% enrollment in the adjuvant arm of the Company's ongoing Phase 2 clinical study investigating adjuvant treatment (pre-temozolomide -- or TMZ – maintenance therapy) of MGMT-unmethylated glioblastoma multiforme (GBM) with VAL-083. The 24-patient, open label study arm has now enrolled 14 patients and continues to enroll at an encouraging rate.

Investment Highlights

The U.S. trial. DelMar announced the trial is now half enrolled, in the adjuvant arm, of the U.S. trial at MD Anderson. So why is this important? Adding the adjuvant arm to the study can now provide early disease data on VAL-083, which is in contrast to those patients enrolling in the Company's original recurrent trial arm of the MDACC clinical study who have typically been heavily pre-treated with TMZ prior to disease recurrence. We note that in the recurrent setting, the trial (was previously) approved for up to 35 additional patients to this recurrent GBM study at a dose of 30 mg/m², allowing for a total of up to 83 patients to be enrolled. Based on our last data point, 62 of 83 planned have been enrolled so far (that number may be higher today). The median overall survival for the 60 patients who completed at least once cycle is currently 7.5 months, and for patients n=25 at the 30 mg dose, the OS is 10.6 months versus historical control of lomustine at 7.2 months.

Adjuvant Update. In the second arm of the study, patients receive VAL-083 as adjuvant therapy following treatment with radiation and TMZ. This study was initiated in July. Currently, fourteen out of a planned 24 patients had been enrolled.

Interim Clinical Data (Feb. 2020 issue of Glioma): The article highlights results from the first 22 patients of the Phase 2 clinical study. As a reminder, the China trial is in the front line setting in GBM. Sun Yat-sen University Cancer Center hopes to evaluate the safety and efficacy of VAL 083 for n=30 newly diagnosed MGMT unmethylated GBM patients vs. historical controls (TMZ 6.9 months). Previously reported that of the first 18 patients, median PFS was 10.4 months versus historical controls (temozolomide-TMZ) of 6.9 months PFS in unmethylated GBM patients.

SNO Update. The Society for NeuroOncology Annual Meeting was in Phoenix late last year. DelMar presented two posters from each trial (front line and recurrent) GBM. In the front line setting at the 30mg dose of VAL-083, the trial is showing a full three months longer progression-free survival or a PFS improvement of around 50% over temozolomide, the current standard of care. In the recurrent trial, also at the 30 mg dose, the trial is showing an improvement to the median overall survival of more than three months, or approximately 47%, over historical published results from the current standard of care. The next update should be at ASCO in May.

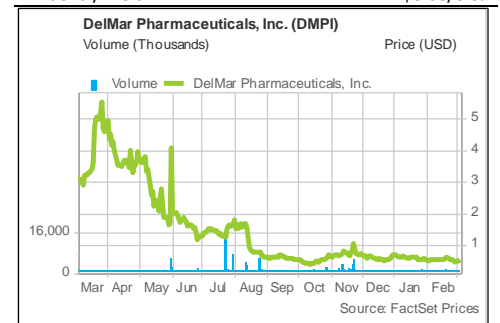
Valuation & Risks. Please see the pages that follow.

Current Price	\$0.53
Price Target	\$4.00

Estimates	F2018A	F2019E	F2020E
Expenses (\$000s)	\$ 11,175	\$ 8,398	\$ 7,751
1Q March	\$ 2,679	\$ 2,006	\$ 1,635
2Q June	\$ 3,154	\$ 1,822	\$ 1,766
3Q September	\$ 2,935	\$ 1,671	\$ 2,132
4Q December	\$ 2,407	\$ 2,899	\$ 2,218
	F2018A	F2019E	F2020E
EPS (diluted)	\$ (0.87)	\$ (0.47)	\$ (0.17)
1Q March	\$ (0.09)	\$ (0.21)	\$ (0.05)
2Q June	\$ 0.08	\$ (0.15)	\$ (0.04)
3Q September	\$ (0.04)	\$ (0.05)	\$ (0.04)
4Q December	\$ (0.83)	\$ (0.05)	\$ (0.04)

EBITDA/Share	(\$0.53)	(\$0.09)	(\$0.07)
EV/EBITDA (x)	0.0	0.0	0.0

Stock Data			
52-Week Range	\$0.40	-	\$6.29
Shares Outstanding (mil.)	11.4		
Market Capitalization (mil.)	\$6		
Enterprise Value (mil.)	-\$2		
Debt to Capital	0%		
Book Value/Share	\$0.11		
Price/Book	5		
Average Three Months Trading Volume (K)	319		
Insider Ownership	1.6%		
Institutional Ownership	18.9%		
Short interest (mil.)	2.6%		
Dividend / Yield	\$0.00/0.0%		



Valuation. Our valuation is driven by our revenue projections for VAL-083 for its main indication in Glioblastoma Multiforme. We do not model any revenues from this program until 2024 and project our model through the year 2030. Our models also factor in funding (dilution) using a fully diluted 2030 share count. We triangulate FCFE, discounted EPS, and sum-of-the-parts models. We then average and equally weight each model to derive an NPV, which is rounded to the nearest whole number to derive our target price. Investors should recognize that this modeling exercise, which models for ten years while projected based on the current data and estimates, is limited in its ability to predict a 12-month target. The price of the stock will ultimately be driven near term by factors such as news flow, early trial data, and cyclic concerns of financings (dilution).

Exhibit 1. Free Cash Flow Model.

Average	\$	4.00
Price Target	\$	5
Year		2020

DCF Valuation Using FCF (mln):													
units ('000)	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	20230E
EBIT	(11,138)	(8,048)	(7,696)	(8,615)	(8,701)	11,233	55,517	182,940	379,446	520,471	664,584	818,767	993,267
Tax Rate	0%	0%	0%	0%	5%	10%	20%	22%	24%	28%	29%	30%	31%
EBIT(1-t)	(11,138)	(8,048)	(7,696)	(8,615)	(8,266)	10,110	44,414	142,693	288,379	374,739	471,855	573,137	685,354
CapEx	-	-	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	(11,138)	(8,048)	(7,816)	(8,735)	(8,386)	9,990	44,294	142,573	288,259	374,619	471,735	573,017	685,234
PV of FCF	(8,568)	(4,762)	(3,558)	(3,058)	(2,259)	2,070	7,059	17,478	27,183	27,174	57,830	54,035	49,706
Discount Rate	30%												
Long Term Growth Rate	1%												
Terminal Cash Flow	2,386,505												
Terminal Value YE2030	173,112.66												
NPV	406,772												
NPV-Debt	-												
Shares out (thousands)	75,198												2030E
NPV Per Share	\$												5

Source: Dawson James

Exhibit 2. Discounted-EPS Model.

Current Year	2020
Year of EPS	2030
Earnings Multiple	5
Discount Factor	30%
Selected Year EPS	\$ 9.11
NPV	\$ 3

Source: Dawson James

Discount Rate and Earnings Multiple Varies, Year is Constant							
		2030 EPS					
		5%	10%	15%	20%	25%	30%
Earnings Multiple	1	\$5.59	\$3.51	\$2.25	\$1.47	\$0.98	\$ 0.66
	5	\$27.97	\$17.57	\$11.26	\$7.36	\$4.89	\$ 3.30
	10	\$55.94	\$35.13	\$22.52	\$14.72	\$9.78	\$ 6.61
	15	\$83.91	\$52.70	\$33.79	\$22.08	\$14.68	\$ 9.91
	20	\$111.88	\$70.26	\$45.05	\$29.43	\$19.57	\$ 13.22
	25	\$139.86	\$87.83	\$56.31	\$36.79	\$24.46	\$ 16.52
	30	\$167.83	\$105.40	\$67.57	\$44.15	\$29.35	\$ 19.83
	35	\$195.80	\$122.96	\$78.84	\$51.51	\$34.25	\$ 23.13

Source: Dawson James

Exhibit 3. Sum-of-the-Parts Model.

Company: DMPi	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MMs	Term Val
VAL-083 USA	1%	30%	7	70%	\$878	\$3,026
NPV						\$1.80
VAL-083 China	1%	30%	5	70%	\$713	\$2,458
NPV						\$2.46
Net Margin						40%
MM Shrs OS (2030E)						75
Total						\$4

Source: Dawson James

Risk Analysis

Clinical and regulatory risk. DelMar Pharmaceuticals is currently in Phase 2 clinical trials in both applications of its pipeline product focused on MGMT-unmethylated GBM. There is no assurance that their product will be approved for any additional indications and even if approved, will be reimbursed by insurance or successfully commercialized.

Commercial risk. The focus of the company is on successfully developing their products and eventually bring them to the mass market. It is important to note that the market opportunity in MGMT-unmethylated GMB is large and if successful VAL-083 may be introduced to the market for multiple cancer applications. We can make no assurances that the company will be able to achieve a critical level of market share to become profitable in this indication and or in additional planned indications.

Employee risk. DelMar Pharmaceuticals has an experienced management team in their President and CEO, CSO, and CFO. DelMar Pharmaceuticals plans to bring their proposed products to reality. DelMar Pharmaceuticals' success will depend, to a great extent, upon the experience, abilities and continued services of its senior officers, sales staff, and key scientific personnel.

Financial risk. The company may need to raise capital in the marketplace relatively soon, and there can be no assurances that the company will be able to successfully raise capital and do so on favorable terms.

Intellectual property risk. The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and the company may infringe on third party's patents.

Reimbursement and insurance payment risk. Insurance payment for products may be an additional hurdle for adoption.

Exhibit 4. Income Statement

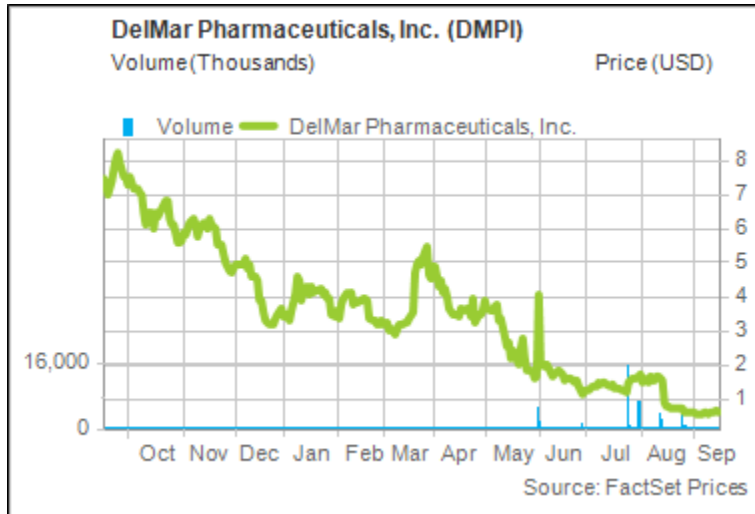
Delmar Pharmaceuticals Inc. (DMPJ)- Income Statement ('000)	6. 2018 YE	1Q19A	2Q19A	3Q19A	4Q19A	6. 2019 A	1Q20A	2Q20A	3Q20E	4Q20E	6. 2020 YE	6. 2021 YE	6. 2022 YE	6. 2023 YE	6. 2024 YE	6. 2025 YE	6. 2026 YE	6. 2027 YE	6. 2028 YE	6. 2029 YE	6. 2030 YE
FYE-Jun 30	6.2018	3Q18A	4Q18A	1Q19A	2Q19A	6.2019 A	3Q19A	4Q19A	1Q20E	2Q20E	6.2020E	6.2021	6.2022	6.2023	6.2024	6.2025	6.2026	6.2027	6.2028	6.2029	6.2030
Revenue (\$000)																					
VAL-083 U.S.														0	0	27,397	101,459	204,947	329,313	456,146	614,277
VAL-083 China														22,244	70,657	184,931	329,298	382,597	418,449	463,024	498,876
License Fees and Royalties (China sales)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Product Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	22,244	70,657	212,327	430,758	587,544	747,762	919,170	1,113,153
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	22,244	70,657	212,327	430,758	587,544	747,762	919,170	1,113,153
Expenses																					
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	2,224	7,066	21,233	43,076	58,754	74,776	91,917	111,315
COGS % of revenue														10%	10%	10%	10%	10%	10%	10%	10%
Sales, General and administrative expenses	4,042	986	875	936	1,940	4,736	914	1,054	1,208	1,256	4,831	4,879	4,928	4,978	5,027	5,078	5,128	5,180	5,231	5,284	5,337
SG&A % of revenue														10%	10%	10%	10%	10%	10%	10%	10%
Research and Development	7,133	1,019	947	736	960	3,662	721	712	925	962	3,699	3,736	3,773	3,811	3,849	3,887	3,926	3,965	4,005	4,045	4,086
R&D % of revenue														10%	10%	10%	10%	10%	10%	10%	10%
Non-GAAP, Adj																					
Total expenses	11,175	2,005.59	1,822.13	1,671	2,899	8,398	1,635.10	1,765.94	2,132.46	2,217.76	7,751	8,615	8,701	11,013	15,143	29,391	51,316	67,077	83,182	100,406	119,890
Oper. Inc. (Loss)	(11,175)	(2,006)	(1,822)	(1,671)	(2,899)	(8,398)	(1,635)	(1,766)	(2,132)	(2,218)	(7,751)	(8,615)	(8,701)	11,231	55,514	182,936	379,442	520,468	664,581	818,764	993,263
Change in fair value of derivative liability	60	0	1	2	(437)	(434)															
Change in fair value of derivative liability due to change in warrant terms					126	126															
Issuance of shares to Valent																					
Loss on exchange of warrants																					
Foreign exchange gain	(57)	(6)	(5)	(6)	35	18	(0)	2			2										
Interest expense							(29)	(28)			(57)										
Interest income	33	20	16	13	(110)	(61)															
Total non-operating income	36	14	12	9	(386)	(350)															
Pretax Income	(11,138)	(1,991)	(1,810)	(1,652)	(3,672)	(8,048)	(1,606)	(1,740)	(2,132)	(2,218)	(7,696)	(8,615)	(8,701)	11,233	55,517	182,940	379,446	520,471	664,584	818,767	993,267
Income Tax Benefit (Provision)														(435)	1,123	11,103	40,247	91,067	145,732	192,729	245,630
Tax Rate														5%	10%	20%	22%	24%	28%	29%	30%
GAAP Net Income (loss)	(11,281)	(1,991)	(1,810)	(1,652)	(3,672)	(8,048)	(1,606)	(1,740)	(2,132)	(2,218)	(7,696)	(8,615)	(8,266)	10,110	44,414	142,693	288,379	374,739	471,855	573,137	685,354
Preferred stock dividend	176.24	36.09	16.19		28.16	80.43	2.05	2.55													
Net and comprehensive loss available to common stockholders	(11,315)	(2,027)	(1,826)	(1,652)	(3,672)	(8,129)	(1,608)	(1,743)	(2,132)	(2,218)	(7,696)	(8,615)	(8,266)	10,110	44,414	142,693	288,379	374,739	471,855	573,137	685,354
GAAP-EPS	(0.55)	(0.09)	(0.07)	(0.05)	(1.07)	(3.16)	(0.21)	(0.15)	(0.07)	(0.07)	(0.50)	(0.22)	(0.20)	0.24	1.06	3.38	6.81	8.81	11.05	13.36	15.92
Non GAAP EPS (dil)	(0.55)	(0.09)	0.08	(0.04)	(0.83)	(3.16)	(0.21)	(0.15)	(0.05)	(0.05)	(0.47)	(0.17)	(0.15)	0.18	0.75	2.32	4.50	5.61	6.79	7.93	9.11
Wtdg Avg Shrs (Bas) - '000s	20,861	22,969	24,242	34,266	3,430	2,575	7,539	11,408	31,419	31,451	20,454	39,037	41,701	41,868	42,035	42,204	42,373	42,543	42,713	42,884	43,056
Wtdg Avg Shrs (Dil) - '000s	20,861	22,969	24,242	44,266	4,431	2,575	7,539	11,408	41,419	41,461	25,457	50,083	54,692	56,913	59,224	61,628	64,131	66,735	69,444	72,264	75,198

Source: Dawson James estimates.

Companies mentioned in this report:

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- Initiation - June 6, 2017 – Buy – Price target 20% (12-18 months)
- Update – August 8, 2017 – Buy – Price target \$6.60
- Transfer – July 11, 2019 - Buy - \$4.00
- Update – July 15, 2019 – Buy \$4.00
- Update – July 24, 2019 – Buy \$4.00
- Update – July 31, 2019 – Buy \$4.00
- Update – August 27, 2019 – Buy \$4.00
- Update – September 18, 2019 – Buy \$4.00
- Update – December 2, 2019 – Buy \$4.00
- Update – February 14, 2020 – Buy \$4.00
- Update – March 5, 2020 – Buy \$4.00

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Market Underperform (Sell)	0	0%	0	0%
Total	26	100%	4	15%

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