

DelMar (NASDAQ/DMPI)

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BUY: N=22 Enrolled -P2 Adjuvant Trial in Brain Cancer
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DelMar announced it has now enrolled N=22 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 adjuvant arm of the Phase 2 study of VAL-083 is designed to enroll up to 24 newly-diagnosed patients who have undergone surgery and chemoradiation with TMZ but will now receive VAL-083 in place of standard of care TMZ for adjuvant therapy. Additionally, in the recurrent arm of the study, 72 patients out of a planned 83 patients have now been enrolled. DelMar continues to actively enroll patients in both trial arms of the clinical study, even in light of the COVID-19 pandemic.

Investment Highlights

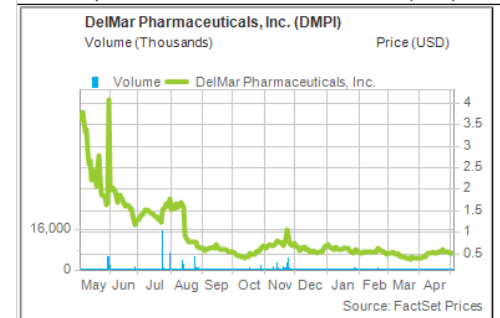
The U.S. trial. DelMar announced the trial has now enrolled all N=22 patients in the adjuvant arm of the U.S. trial at MD Anderson. So why is this important? Adding the adjuvant arm to the study can now provide early disease data on VAL-083, which is in contrast to those patients enrolling in the Company's 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, 72 of 83 planned have been enrolled so far. 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.

Data at ASCO. Pending meeting formats and other unforeseen changes, DelMar currently intends to announce additional clinical trial updates concomitant with planned scientific poster presentations at or around the American Society of Clinical Oncology (ASCO) ASCO20 Virtual Scientific Program May 29-31, 2020, and at or around the American Association for Cancer Research Virtual Annual Meeting II June 22-24, 2020.

China Study: DelMar previously announced that it had completed full enrollment of the planned 29 patients in its ongoing Phase 2 clinical study investigating the first-line treatment of VAL-083 with radiation therapy in newly-diagnosed, MGMT-unmethylated GBM patients. As a reminder the trial is being conducted at the Sun Yat-sen University Cancer Center in Guangzhou, China, and is designed to determine whether first-line therapy with VAL-083 treatment improves progression free survival. The current standard of care is first-line TMZ with radiation.

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.

Current Price				\$0.52
Price Target				\$4.00
Estimates	F2018A	F2019A	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	\$0.38	-	\$5.75	
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)	135			
Insider Ownership	1.6%			
Institutional Ownership	18.6%			
Short interest (mil.)	3.0%			
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												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

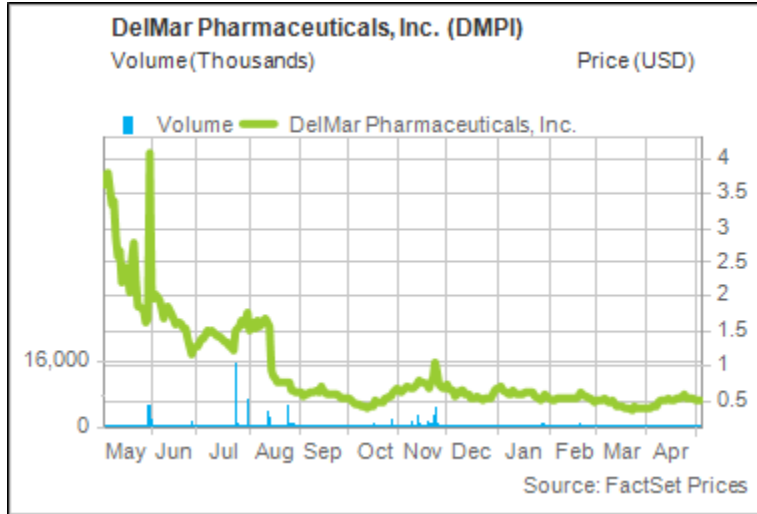
Delmar Pharmaceuticals Inc. (DMPJ) - Income Statement ('000)	6. 2018 YE	1Q19A	2Q19A	3Q19A	4Q19A	6. 2019 A	1Q20A	2Q20A	3Q20E	4Q20E	6. 2020 YE	6. 2021 YE	6. 2022 YE	6. 2023 YE	6. 2024 YE	6. 2025 YE	6. 2026 YE	6. 2027 YE	6. 2028 YE	6. 2029 YE	6. 2030 YE	
FYE-Jun 30	6.2018	3Q18A	4Q18A	1Q19A	2Q19A	6.2019 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														22%	22%	22%	22%	22%	22%	22%	22%	
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														17%	17%	17%	17%	17%	17%	17%	17%	
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%	31%
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
- Update – May 5, 2020 – Buy \$4.00

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Market Underperform (Sell)	0	0%	0	0%
Total	24	100%	4	17%

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