

# Tekmira – QuickView

16 November 2012

## Investment summary: Litigation pays off

Canada's Tekmira is well positioned to advance its internal RNAi drug candidates and enter new partnerships following its eve-of-trial litigation settlement and licensing deal with US RNAi giant Alnylam. The deal consolidates Tekmira's ownership of lipid nanoparticle (LNP) delivery IP and boosts its cash runway to 2015. Tekmira's shares have surged 30% in the last 10 days in anticipation of and following the settlement.

### Tekmira obtains US\$65-75m and regains control of LNP IP

Tekmira filed a suit against Alnylam in March 2011 for misuse of trade secrets for LNP IP and MC3 lipids. The settlement gives Tekmira US\$65m in cash, part of which represents a buy-down of future potential royalties due from Alnylam, and an additional US\$10m in milestones, expected in 2013. Alnylam also transferred MC3 and LNP-related IP to Tekmira, leaving it with clear ownership of this technology and the ability to sub-license in future platform-type deals.

### Funding clears way for more ambitious drug development

Tekmira should now end the year with C\$50m in cash, which puts it in a strong position to advance its internal RNAi pipeline (now with up to 13 target licences). TKM-PLK1 (which targets polo-like kinase 1) shows early activity in cancer (one partial response and one stable disease among 23 subjects in dose escalation) and a Phase II study is planned in 2013. The US DoD is funding TKM-Ebola (to use 10x more potent LNPs), with an IND expected in H213.

### Royalty stream potential from Alnylam, Talon and others

LNP is the only systemic RNAi delivery technology that has been validated in proof-of-concept trials (eg Alnylam's ALN-TTR02 and ALN-PCS). Tekmira is expected to receive royalties from RNAi drugs using its LNP delivery IP and single-digit royalties from Talon's Marqibo (liposomal vincristine, approved in relapsing Ph- ALL).

### Valuation: 2012 EV of C\$25-30m; room for upside

Assuming legal costs of US\$15-20m, Tekmira should finish 2012 with C\$48-53m in cash. Given its ownership of LNP IP (out-licensing potential), promising pipeline and a monetisable Marqibo stream, Tekmira has an attractive valuation and multiple upside catalysts.

## Consensus estimates

Year end	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
12/10	21.4	(12.42)	(1.20)	0.0	N/A	N/A
12/11	16.7	(9.94)	(0.88)	0.0	N/A	N/A
12/12e	14.4	(7.53)	(0.43)	0.0	N/A	N/A
12/13e	25.1	0.46	0.02	0.0	N/A	N/A

Price **C\$5.35**  
 Market cap **C\$74.9m**

### Share price graph



### Share details

Code **TKM; TKMR**  
 Listing **TSX; NASDAQ**  
 Sector **Pharma & biotech**  
 Shares in issue **14.0m**

### Business

Tekmira is a Canadian biotech company developing RNAi therapeutics. It holds key patents for lipid nanoparticle (LNP) RNAi drug delivery. Internal candidates include TKM-PLK1 (Phase I, cancer) and TKM-Ebola. The LNP IP is used in Alnylam's most advanced systemic RNAi candidates (ALN-PCS, ALN-TTR02, and ALN-VSP).

### Bull

- Industry-leading LNP RNAi delivery IP.
- TKM-PLK1 shows early signs of efficacy.
- Solid cash runway to 2015.

### Bear

- Early-stage internal candidates.
- Litigation history in RNAi.
- Long-term safety of LNPs not yet established.

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