

Q1-2018 Update

10 June, 2018

**Entera filed an updated F-1 for its Nasdaq IPO; BeamMed retained its sales pace, with a key focus on penetrating the US market; preparations for pre-IND (505(b)(2) submission; Target price remains unchanged.**

Primary Exchange: TASE

Ticker: TLV: DNA

Sector: Healthcare

Industries: Biotechnology and Medical Devices

**Data as at 10 June, 2018**

(Source: TASE)

Closing price: NIS 0.29

Market cap: NIS 42.1M

# of shares: 147,606,627

Stock performance (12 mos.): -24%

Daily-trading-vol. (12 mos.): NIS 340K

**Stock target price: NIS 0.79**

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## Company Overview

Israeli holdings firm **DNA Biomedical Solutions Ltd.** (hereinafter 'DNA', 'DNA Biomed' or 'the Company') was founded in 2004 and went public on the Tel Aviv Stock Exchange (TLV: DNA) in 2007. DNA has two key holdings, respective 35% and 40% stakes (both fully diluted) in biomedical companies - *Entera Bio* and *BeamMed*.

**Entera Bio Ltd.** (hereinafter 'Entera') is a drug development company, founded in 2009 by DNA and Oramed (TLV/NASDAQ: ORMP), the latter from whom it has licensed a unique drug delivery platform for oral administration of pharmaceutically active large molecule proteins that are nowadays injected. *Entera* is conducting clinical trials for two candidate drugs treating three indications: hypoparathyroidism, osteoporosis, and non-union fractures.

**BeamMed Ltd.** (hereinafter 'BeamMed') and its global subsidiaries, are medical device companies that deliver an ultrasound based screening solution for determining a patient's risk of developing osteoporosis, with unique additional product features. They have established themselves in the screening stage of the osteoporosis therapy value chain. Their product utilizes ultrasonically measurable parameters as the basis of a patient's risk factor. After initial success in East Asia, they are now looking to expand their US sales.

## Highlights & Analysis

**On May 17, 2018 Entera filed an updated F-1 in preparation for a IPO on the NASDAQ.**

- Recall that, on January 26, 2018, Entera Bio informed DNA that it had not completed the process of issuing and listing shares for trading as planned.
- In our opinion, the effect of the unactualized offering on Entera's development plans is immaterial.
- DNA publishes financial reports on a bi-annual basis. At December 31, 2017 Entera had an annual operating loss of approximately \$11.3M, an increase of approx. \$6M compared to 2016, mainly a result of NASDAQ registration, and other related IPO expenses.

**Entera Bio continues its efforts to raise capital and plans to submit a pre-IND to the FDA (505(b) (2) regulatory path) for its EB-613 asset.**

- If Entera will receive approval from the FDA for progressing along this regulatory path, it will have a significantly positive effect on the drug's time to market. Currently, the company is expected to initiate Phase 2b/3 trials, with their EB-612 asset, PTH 1-34 for treating hypoparathyroidism in H2-2018.
- Financially, it should be noted that Entera recently completed a \$13M financing round, and therefore, in our opinion, at present, the company has sufficient funding to complete the necessary preparations prior to initiating the aforementioned experiments.
- At the same time, we expect Entera to try and raise public and/or private capital in the coming months. If Entera raises sufficient capital, there should be no delay in its clinical development program.

**BeamMed retained its sales pace, with a key focus on penetrating the US market**

- Revenues totaled NIS 12M in 2017, similar to 2016, with a high proportion of sales coming from Asia, and NIS 900K from the US.
- BeamMed's sales for 2017 reveal a change in geographic segmentation with sales growing in the USA compared to 2016.
- Sales and marketing expenses for 2017 increased by NIS 200,000 from 2016.

**We keep DNA's value at approximately \$30.9 million (NIS 108.7M) corresponding to a target price of \$0.23 (NIS 0.79) per share.**

## Upcoming Potential Catalysts\*

\*Should Entera receive FDA approval for the 505(b)(2) regulatory pathway, the milestones below will change

| Company           | Program                | Indication          | Event   | Significance | Timeline         |
|-------------------|------------------------|---------------------|---|--------------|------------------|
| <i>Entera Bio</i> | <b>EB612: PTH 1-34</b> | Hypoparathyroidism  | Initiation of pivotal Phase 2b/3                      | Medium       | <b>2018</b>      |
|                   |                        |                     | Topline data expected                                 | High         | <b>2020</b>      |
|                   |                        |                     | Expected submission of NDA/BLA to the FDA             | Medium       | <b>2021</b>      |
|                   |                        |                     | Expected commencement of sales                        | High         | <b>2021/2022</b> |
|                   | <b>EB613: PTH 1-34</b> | Osteoporosis        | Phase 2a Initiation                                   | Low          | <b>2018</b>      |
|                   |                        |                     | IND submission  | Low          | <b>2018</b>      |
|                   |                        |                     | Pivotal phase 2b/3 with strategic partners            | High         | <b>2019</b>      |
|                   |                        |                     | Expected commencement of sales by partner             | High         | <b>2025</b>      |
|                   |                        | Non-union fractures | Phase 2a Initiation                                   | Low          | <b>2018</b>      |
| <i>BeamMed</i>    | -                      | Osteoporosis        | Signing distribution agreements in the United States. | High         | <b>2018</b>      |

Sources: Frost & Sullivan Analysis; DNA Biomedical Solutions Ltd.

## 12-Month Stock Performance



Source: Google Finance

## Appendix I - Financial Reports – DNA Biomedical Solutions Ltd.

| <b>Balance Sheet (NIS 000s)</b>   | <b>31.12.2016</b> | <b>31.12.2017</b> |
|---|-------------------|-------------------|
| <b><u>Current Assets</u></b>  |                   |                   |
| Cash and cash equivalents   | 934               | 1,517             |
| Accounts receivable   | 105               | 88                |
| <b>Total current assets</b>   | <b>1,039</b>      | <b>1,605</b>      |
| <b><u>Non-Current Assets</u></b>  |                   |                   |
| Investment in a financial asset at fair value   | -                 | 468               |
| Net amount attributable to owners of the company's total assets minus total liabilities per consolidated financial statements, including reputation | -                 | 76,021            |
| <b>Total non-current assets</b>   | <b>-</b>          | <b>76,489</b>     |
| <b>Total assets</b>   | <b>1,039</b>      | <b>78,094</b>     |
| <b><u>Current Liabilities</u></b>   |                   |                   |
| Suppliers and service providers   | 3                 | 13                |
| Other Accounts Payable  | 342               | 383               |
| Purchase options in the Company   | -                 | 6,050             |
| Put options in the Company  | -                 | 2,541             |
| <b>Total current liabilities</b>  | <b>345</b>        | <b>8,987</b>      |
| <b><u>Non-Current Liabilities</u></b>   |                   |                   |
| Net amount attributable to owners of the company's total assets minus total liabilities per consolidated financial statements, including reputation | 83,945            | -                 |
| <b>Total liabilities</b>  | <b>84,290</b>     | <b>8,987</b>      |
| <b>Total equity*</b>  | <b>(83,251)</b>   | <b>69,107</b>     |
| <b>Total liabilities and equity</b>   | <b>1,039</b>      | <b>78,094</b>     |

\*Equity changes are due to capital structure change in 2017

| <b>Statement of Profit and Loss (NIS 000s)</b> | <b>2016</b>  | <b>2017</b>   |
|--|--------------|---------------|
| General and Administrative Expenses            | 1,883        | 2,006         |
| Other Losses                                   | 0            | 18,460        |
| Portion of Profits/Losses shared transaction   | 148          | 36,181        |
| <b>Revenue (Loss) from Operations</b>          | <b>1,735</b> | <b>56,647</b> |

## Appendix II - Financial Reports – BeamMed Ltd.

| <b>Balance Sheet (\$000s)</b>             | <b>2016</b>  | <b>2017</b>  |
|---|--------------|--------------|
| Cash and Cash Equivalents                 | 1,716        | 2,057        |
| Restricted Deposits                       | 165          | 122          |
| Accts Receivables (Customers)             | 77           | 94           |
| Other Receivables                         | 252          | 148          |
| Inventory                                 | 1,044        | 1,135        |
| <b>Current Assets</b>                     | <b>3,254</b> | <b>3,556</b> |
| Intangible Assets                         | 803          | 610          |
| Deffered Income Taxes                     | 72           | 65           |
| Fixed Assets                              | 30           | 23           |
| <b>Non-current Assets</b>                 | <b>905</b>   | <b>698</b>   |
| <b>Total Assets</b>                       | <b>4,159</b> | <b>4,254</b> |
| Accounts Payable (Suppliers)              | 56           | 136          |
| Other Payables                            | 192          | 330          |
| Loans from shareholders                   | 387          | 401          |
| Tax Payable                               | -            | 0            |
| <b>Current Liabilities</b>                | <b>635</b>   | <b>867</b>   |
| Deffered Income Taxes                     | 102          | 97           |
| Royalties Owned to Government of Israel   | 49           | 51           |
| Net Liabilities from employee termination | 0            | 3            |
| <b>Non-current Liabilities</b>            | <b>151</b>   | <b>151</b>   |
| <b>Total Liabilities</b>                  | <b>786</b>   | <b>1,018</b> |
| <b>Total Equity</b>                       | <b>3,373</b> | <b>3,236</b> |
| <b>Total Liabilities + Equity</b>         | <b>4,159</b> | <b>4,254</b> |

| <b>Statement of Profit and Loss (\$000s)</b> | <b>2016</b>  | <b>2017</b>  |
|--|--------------|--------------|
| Sales  | 3,149        | 3,372        |
| COGS   | 1,463        | 1,574        |
| <b>Net Earnings</b>                          | <b>1,686</b> | <b>1,798</b> |
| Marketing and Sales Expenses                 | 629          | 836          |
| General and Administrative Expenses          | 821          | 817          |
| <b>Revenue (Loss) from Operations</b>        | <b>236</b>   | <b>145</b>   |
| Financing Expenses                           | (27)         | (27)         |
| Financing Income                             | 34           | 28           |
| Net Financing Expenses/Income                | 7            | 1            |
| Profit/Loss before income tax                | 243          | 146          |
| Income tax                                   | (30)         | (2)          |
| <b>Total Net Annual Profit/Loss</b>          | <b>213</b>   | <b>144</b>   |

## Appendix III - Financial Reports – Entera Bio Ltd.

| <u>Balance Sheet (\$000s)</u>                    | <u>2016</u>   | <u>2017</u>   |
|--|---------------|---------------|
| Cash and Cash Equivalents                        | 4,163         | 11,746        |
| Restricted Deposits                              | 1,075         | 0             |
| Other Current Assets                             | 195           | 671           |
| <b>Current Assets</b>                            | <b>5,433</b>  | <b>12,417</b> |
| Property and equipment                           | 199           | 207           |
| Intangible assets                                | 654           | 654           |
| <b>Non-current Assets</b>                        | <b>853</b>    | <b>861</b>    |
| <b>Total Assets</b>                              | <b>6,286</b>  | <b>13,278</b> |
| Accounts Payable (Trade)                         | 53            | 596           |
| Accounts Payable (Other)                         | 604           | 1,424         |
| Convertible Loans                                | 9,885         | 0             |
| <b>Total Current Liabilities</b>                 | <b>10,542</b> | <b>2,020</b>  |
| Convertible Loans                                | 4,835         | 3,893         |
| Preferred shares                                 | 11,031        | 33,455        |
| Warrants to purchase preferred shares and shares | 4,800         | 5,398         |
| Issuing of preferred shares and warrants         | 273           | 0             |
| Net severance pay obligations                    | 51            | 70            |
| <b>Total non-current Liabilities</b>             | <b>20,990</b> | <b>42,816</b> |
| <b>Total Liabilities</b>                         | <b>31,532</b> | <b>44,836</b> |
| Total Capital Deficiency                         | <b>25,246</b> | <b>31,558</b> |
| <b>Total Liabilities + Equity</b>                | <b>56,778</b> | <b>76,394</b> |

| <u>Statement of Profit and Loss (\$000s)</u> | <u>2016</u>  | <u>2017</u>   |
|--|--------------|---------------|
| Research and Development Expenses            | 2,648        | 2,768         |
| General and Administrative Expenses          | 2,719        | 8,575         |
| <b>Operating Loss</b>                        | <b>5,367</b> | <b>11,343</b> |
| Net Financial Expenses (Income)              | (4,168)      | (146)         |
| <b>Net Comprehensive Loss</b>                | <b>1,199</b> | <b>11,197</b> |

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