

CARDIOL THERAPEUTICS INC.*_{5a,6a,7,11}

Rating: BUY
Target Price: 17,49 CAD
 (Previously: 17,49 CAD)

Current price: 5,36 CAD
 07/09/2021 / TSX / 22:22
 Currency: CAD

Key Data:

ISIN: CA14161Y2006
 WKN: A2PA9E
 TSX: CRDL
 OTCQX: CRTPF
 NASDAQ: CRDL
 FSE: CT9
 Number of shares³: 61,3M
 Marketcap³: 230,19M
³ in m / in m CAD / fully diluted
 Free float: 76%

Primary listing: Canada TSX
 Secondary listing: Frankfurt
 NASDAQ

Accounting Standard:
 IFRS

FY End: 31/12/

Analysts:

Julien Desrosiers
 desrosiers@gbc-ag.de

Felix Haugg
 Haugg@gbc-ag.de

* Catalogue of possible conflicts of interest on page 6

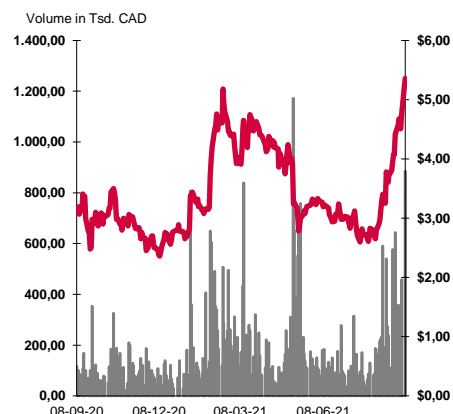
Date (time) Completion:
 08/09/2021 (06:20 pm)

Date (time) first transmission:
 09/09/2021 (02:00 pm)

Validity of the price target: until
 max. 31/12/2022

Company Profile

Sector: Biotechnology
 Focus: Cannabidiol therapies for inflammatory heart disease
 Management: David Elsley (President & CEO, Director), Andrew Hamer (CMO), Chris Waddick (CFO), Bernard Lim (COO)
 Founded: 2017
 Headquarters: Oakville, Canada



Cardiol Therapeutics is a clinical-stage biotechnology company focused on developing innovative anti-inflammatory therapies for the treatment of cardiovascular disease.

The company portfolio is composed of three therapies in development supported by CardiolRx™ and Cortalex™, commercialized in late 2020, which is available across Canada exclusively at Medical Cannabis by Shoppers online portal, part of the largest retail pharmacy chain in Canada.

Major developments

- The company has just received the FDA approval to conduct the Phase II trial for their Acute Myocarditis Clinical Development Program.
- The company has appointed Dr. Guillermo Torre-Amione as its new chairman.
- The company is now listed on the NASDAQ under the symbol CRDL.

P&L in CAD m FY	31/12/2018	31/12/2019	31/12/2020e	31/12/2021e
Sales	0	0	0	0
EBIT	-14,128	-20,690	-20,690	-18,734

Key figures in CAD m				
EV/EBITDA	-5,073	-4,155	-4,202	-4,685

** Last research by GBC:
Date: publication/target price in CAD/rating
13/08/2021: RS / 17,49 / BUY
23/06/2021: RS / 15,77 / BUY
** The research studies indicated above may be viewed at www.gbc-ag.de , or requested at GBC AG, Halderstr. 27, D86150 Augsburg

Financial calendar

On August 24th, Cardiol Therapeutics received FDA Clearance of Investigational New Drug (IND) Application for Phase II Clinical Trial of CardiolRx™ for Acute Myocarditis.

Phase II trial details

The company’s Investigational New Drug (IND) application approval allows Cardiol Therapeutics to commence a Phase II, multi- center, double-blind, randomized, placebo-controlled trial designed to study the safety and tolerability of CardiolRx™, as well as its impact on myocardial recovery in patients presenting Acute Myocarditis.

More specifically, Cardiol’s Acute Myocarditis study is expected to enroll 100 patients at clinical centers in the United States and Europe. The primary endpoints of the trial, which will be evaluated after 12 weeks of double-blind therapy, consist of the following cardiac magnetic resonance measures: left ventricular function (ejection fraction and longitudinal strain) and myocardial edema (extra-cellular volume), each of which has been shown to predict long-term prognosis of patients with Acute Myocarditis.

The study has been designed by an independent steering committee comprising distinguished thought leaders in Heart Failure and Myocarditis from international centers of excellence, including: the Cleveland Clinic, the Mayo Clinic, the Houston Methodist DeBakey Heart and Vascular Center, the University of Ottawa Heart Institute, McGill University Health Centre, University of Pittsburgh Medical Center, Charité Hospital Berlin, and the University of South Florida Health Morsani College of Medicine/Tampa General Hospital Heart and Vascular Institute.

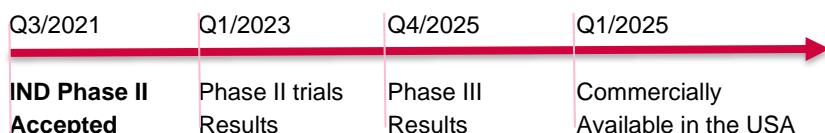
Comments from the Company

“IND clearance to proceed with our Phase II clinical trial of CardiolRx in patients with Acute Myocarditis represents another major milestone for Cardiol as we continue to pursue the development of new treatment options for patients with inflammatory Heart Disease,” said David Elsley, President and Chief Executive Officer of Cardiol Therapeutics. “We look forward to further studying the cardioprotective potential of CardiolRx in this rare but potentially devastating condition that remains an underdiagnosed cause of Acute Heart Failure, sudden death, and chronic dilated Cardiomyopathy.”

GBC Research report update

As per our Initial Coverage report, we planned for an approval of the Phase II clinical trial of CardiolRx in patients with Acute Myocarditis to be received in Q3 2021. We are pleased to see the company being on track at this point.

Estimated timeline to commercialization:



We view the approval of the IND Phase II clinical trials as a critical development for the company.

This new step marks the beginning of a new phase for Cardiol Therapeutics as treatment for Acute Myocarditis is, according to our forecast, the main value driver for the company in the near future. We estimate patient enrollment could begin as early as within the next

few months. We maintain our forecast of the phase II results to be announced in Q1 2023 and **our target price and rating remain unchanged.**

Corporate updates

As of August 2021, the company has appointed Dr. Guillermo Torre-Amione as its new chairman. M. Guillermo has served as an independent director since August 2018.

Dr. Guillermo Torre-Amione¹

Dr. Torre-Amione received his medical degree from Tecnológico de Monterrey, Campus Monterrey in 1985 and earned a PhD in Immunology from the University of Chicago in 1990. He subsequently completed his training in Internal Medicine and Cardiology with subspecialty training in Cardiac Transplantation and Interventional Cardiology at Baylor College of Medicine in Houston Texas.

Dr. Torre-Amione was presiding the Heart Failure and Cardiac Transplantation Section at the Methodist Hospital in Houston from 1995 to 2010. He then became a full Professor of Medicine at Weill Cornell Medical College at The Methodist Hospital in Houston in 2008. During his tenure at The Methodist Hospital he was a board member of the Heart and Vascular Center, and established the Cardiac Transplantation research endowment. Furthermore, he was a board member of St Thomas University in Houston Texas.

After 26 years in the United States, he returned to Mexico to become President of TEC Salud at the Tecnológico de Monterrey. He is currently an active member of the staff of both the San Jose Tec de Monterrey Hospital and Zambrano Hellion Medical Center. He also maintains an academic appointment at the Methodist Hospital in Houston.

M. Torre-Amione has carried out more than 100 clinical research projects, holds several patents in the field of Heart Failure and has published over 170 peer reviewed professional articles.

We believe that Dr. Torre-Amione is an important step forward in the company's leadership composition. Cardiol Therapeutics will be greatly enhanced by his vast experience in both scientific and clinical research on Heart Failure, including the design and execution of pivotal clinical trials in this area.

As of September 7th, 2021, the company has appointed Michael J. Willner to its Board of Directors.

Michael J. Willner earned a bachelor's degree in Accounting and Finance from the University of South Florida and a law degree from Emory University, where he was a member of the Emory Law Review. Prior to entering the legal profession, Mr. Willner worked for the former Arthur Andersen & Company, a national accounting firm, where he practiced in the tax department. Following that, he worked for Milbank, Tweed, Hadley & McCloy, one of the nation's most prominent international law firms, in New York City.

In 1990, Mr. Willner founded Willner Capital, Inc., an investment firm specialized in public and private equities, as well as debt instruments. Since over 30 years, Willner Capital focuses on fundamental analysis and event-driven tactics. Willner Capital has made major

¹ <https://www.eacts.org/faculty/guillermo-torre-amione/>

investments in the biotechnology and pharmaceutical cannabinoid industries over the last decade, focusing on clinical-stage firms seeking to solve unmet medical needs.

The New York Times Business Section has quoted Mr. Willner on his investments in the pharmaceutical side of the marijuana industry, and he has participated in various panel discussions and advisory boards.

These three news reports combined together strengthen unquestionably our confidence in Cardiol Therapeutics' overall chances of success.

Rating: BUY

Target price: 17,49 CAD (confirmed)

ANNEX

I.

Research under MiFID II

1. There is a contract between the research company GBC AG and the issuer regarding the independent preparation and publication of this research report on the issuer. GBC AG is remunerated for this by the issuer.
2. The research report is simultaneously made available to all interested investment services companies.

II.

Section 1 Disclaimer and exclusion of liability

This document is intended solely for information purposes. All data and information in this study come from sources that GBC regards as reliable. In addition, the authors have taken every care to ensure that the facts and opinions presented here are appropriate and accurate. Nevertheless, no guarantee or liability can be accepted for their correctness – whether explicitly or implicitly. In addition, all information may be incomplete or summarized. Neither GBC nor the individual authors accept liability for any damage which may arise as the result of using this document or its contents, or in any other way in this connection.

We would also point out that this document does not constitute an invitation to subscribe to nor to purchase any securities and must not be interpreted in this way. Nor may it nor any part of it be used as the basis for a binding contract of any kind whatsoever. or be cited as a reliable source in this context. Any decision relating to the probable offer for sale of securities for the company or companies discussed in this publication should be taken solely on the basis of information in the prospectuses or offer documents which are issued in relation to any such offer.

GBC does not provide any guarantee that the indicated returns or stated target prices will be achieved. Changes to the relevant assumptions on which this document is based can have a material impact on the targeted returns. Income from investments is subject to fluctuations. Investment decisions should always be made with the assistance of an investment advisor. This document cannot replace the role of an advisor.

Sale outside the Federal Republic of Germany:

This publication, if sold in the UK, may only be made available to those persons who, in the meaning of the Financial Services Act 1986 are authorized and exempt, or persons as defined in section 9 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Decree 1988 (amended version) and must not be transmitted directly or indirectly to other persons or groups of persons.

Neither this document nor any copy of it may be taken into, transferred to or distributed within the United States of America or its territories and possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law, and persons who come into possession of this publication should find out about any such restrictions and respect them. Any failure to respect these restrictions may represent a breach of the US, Canadian or Japanese securities laws or laws governing another jurisdiction.

By accepting this document you accept all disclaimers of liability and the restrictions cited above.

You can find the details of this disclaimer/exclusion of liability at:

<http://www.gbc-ag.de/de/Disclaimer>

Legal information and disclosures as required by section 85 of Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)

This information can also be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung>

Section 2 (I) Updates

A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

Section 2 (II) Recommendation/ Classifications/ Rating

Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined

based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification, but can result in a revision of the original recommendation.

The recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$.

GBC AG's target prices are determined using the fair value per share, derived using generally recognized and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

Section 2 (III) Past recommendations

Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung>

Section 2 (IV) Information basis

For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

Section 2 (V) 1, Conflicts of interest as defined in section 85 of the Securities Trading Act (WpHG)

GBC AG and the analysts concerned hereby declare that the following potential conflicts of interest exist for the company/companies described. at the time of this publication, and in so doing meet the requirements of section 85 of the Securities Trading Act (WpHG). A detailed explanation of potential conflicts of interest is also listed in the catalogue of potential conflicts of interest under section 2 (V) 2.

In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (5a,6a,7,11)

section 2 (V) 2, Catalogue of potential conflicts of interest

(1) At the time of publication, GBC AG or a legal entity affiliated with it holds shares or other financial instruments in the company analyzed or the financial instrument or financial product analyzed. (2) This company holds over 3% of the shares in GBC AG or a legal person connected to them.

(3) GBC AG or a legal person connected to them is a market maker or designated sponsor for the financial instruments of this company.

(4) GBC AG or a legal person connected to them has, over the previous 12 months, organized or played a leading role in the public issue of financial instruments for this company.

(5) a) GBC AG or a legal entity affiliated with it has concluded an agreement with this company or issuer of the analyzed financial instrument in the previous 12 months on the preparation of research reports for a fee. Under this agreement, the draft financial analysis (excluding the valuation section) was made available to the issuer prior to publication.

(5) b) After receiving valid amendments by the analyzed company or issuer, the draft of this analysis was changed.

(6) a) GBC AG or a legal entity affiliated with it has concluded an agreement with a third party in the previous 12 months on the preparation of research reports on this company or financial instrument for a fee. Under this agreement, the third party and/or company and/or issuer of the financial instrument has been given access to the draft analysis (excluding the valuation section) prior to publication.

(6) b) After receiving valid amendments by the third party or issuer, the draft of this analysis was changed.

(7) The analyst responsible for this report holds shares or other financial instruments of this company at the time of publication.

(8) The analyst responsible for this company is a member of the company's Executive Board or Supervisory Board.

(9) The analyst responsible for this report received or purchased shares in the company analyzed by said analyst, prior to the time of publication.

(10) GBC or a related legal party has closed an agreement with the underlying company regarding consulting services during the previous 12 months.

(11) GBC or a related legal party has a significant financial interest in the analyzed company, for example to get mandated by the analyzed company or to provide any kind of services (such as the organization of fairs, roundtables, road shows, etc.).

(12) At the time of the financial analysis, the analyzed company is in a financial instrument or financial product (e.g. certificate, fund, etc.) managed or advised by GBC AG or its affiliated legal entity.

Section 2 (V) 3. Compliance

GBC has defined internal regulatory measures in order to prevent potential conflicts of interest arising or, where they do exist, to declare them publicly. Responsibility for the enforcement of these regulations rests with the current Compliance Officer, Kristina Heinzlbecker, Email: heinzlbecker@gbc-ag.de

Section 2 (VI) Responsibility for report

The company responsible for the creation of this/these analysis/analyses is GBC AG, with registered office in Augsburg, which is registered as a research institute with the responsible supervisory authority (Federal Financial Supervisory Authority or BaFin Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:

Julien Desrosiers, Financial Analyst

Felix Haugg, B.A., Financial Analyst

Section 3 Copyright

This document is protected by copyright. It is made available to you solely for your information and may not be reproduced or distributed to any other person. Any use of this document outside the limits of copyright law shall, in principle, require the consent of GBC or of the relevant company, should the rights of usage and publication have been transferred.

GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-Mail: compliance@gbc-ag.de