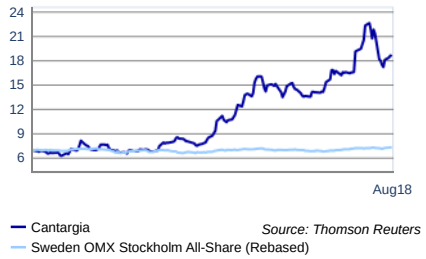
Cantargia

Healthcare
Sweden

KEY DATA

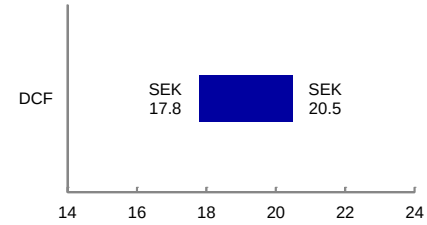
Stock country	Sweden
Bloomberg	CANTA SS
Reuters	CANTA.ST
Share price (close)	SEK 18.70
Free Float	78%
Market cap. (bn)	EUR 0.12/SEK 1.24
Website	http://cantargia.com/
Next report date	15 Nov 2018

PERFORMANCE



Source: Thomson Reuters

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2018E	2019E	2020E
Sales	n.a.	n.a.	18%
EBIT (adj)	-4%	-5%	20%

Source: Nordea estimates

Nordea Markets - Analysts
Hans Mähler
Director

Dan Johansson
Analyst

Preclinical achievements and CANFOUR update

Cantargia delivered a Q2 with slightly higher R&D spending than we had anticipated. Otherwise, there was limited news in the report, as the delay in the results from the ph I part of the CANFOUR study, as well as preclinical progress, had already been announced. CAN04 has shown a good safety profile so far, however, and the company presented new preclinical findings and improved its patent situation during the quarter. We make slight positive revisions to our milestone assumptions following the report, and raise our estimates due to the stronger USD.

Higher costs than expected in Q2

Cantargia reported Q2 2018 EBIT of SEK -28.6m, compared with our estimate of SEK -19.6m and the SEK -15.9m result in Q2 2017. The lower earnings were attributable to increased R&D spending during the quarter.

Update on CANFOUR, ph I results now expected in Q4

In July, Cantargia presented an update on the ongoing CANFOUR clinical trial. 15 patients have now been treated in the ph I study and CAN04 has so far been well-tolerated. The company now expects ph I to be completed during Q4, which is a delay compared with the previously announced timeline. The delay is due to a need to include a few more patients in order to establish a maximum tolerated or recommended dose. A positive outcome is expected, but the completion will still mark a major milestone in Cantargia's development and also signal the initiation of ph IIa.

Multiple advances on the research front in recent months

During the past few months, Cantargia has been able to deliver positive preclinical news flow. For example, the company has announced that CAN04 not only has the ability to attack tumour cells directly, but also has the potential to attack other IL1RAP-expressing cells which protect the tumour in its immediate environment. Experimental models indicate that CAN04 reduces the tumour's ability to spread by metastasis. In addition, new data released has shown that CAN04 has the potential to treat more cancer diseases, as well as having positive effects in combination therapies.

Several inflection points remain in 2018

The main news in H2 will be the completion of ph I and the initiation of ph IIa, both of which we now expect in Q4 2018. We also anticipate news flow on other fronts, such as updates on the clinical and regulatory strategy for the US and the move to the Nasdaq Stockholm main list. We lift our milestone assumptions and raise our estimates to reflect the strengthening of the dollar. Based on a WACC of between 10% and 12%, we derive an equity value per share of SEK 17.8-20.5 (previously SEK 15.0-17.4).

SUMMARY TABLE - KEY FIGURES

SEKm	2014	2015	2016	2017	2018E	2019E	2020E
Total revenue	0	0	0	0	0	0	548
EBITDA (adj)	-8	-17	-48	-60	-75	-89	485
EBIT (adj)	-8	-17	-48	-60	-75	-89	485
EBIT (adj) margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	88.6%
EPS (adj)	-1.10	-1.27	-2.27	-1.28	-1.07	-1.30	7.35
EPS (adj) growth	12.0%	-15.5%	-78.4%	43.5%	16.7%	-21.5%	665.6%
DPS (ord)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.3
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.4
P/E (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	2.5
P/BV	n.a.	n.a.	n.a.	1.2	7.1	13.9	2.1
Dividend yield (ord)	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%
FCF Yield bef acq & disp	n.a.	n.a.	n.a.	-13.7%	-7.6%	-7.0%	37.1%
Net debt	-17	-25	-35	-270	-175	-89	-549
Net debt/EBITDA	2.1	1.4	0.7	4.5	2.3	1.0	-1.1
ROIC after tax	115.8%	199.6%	1,337.9%	328.8%	493.4%	n.m.	2,764.4%

Source: Company data and Nordea estimates

Quarterly review

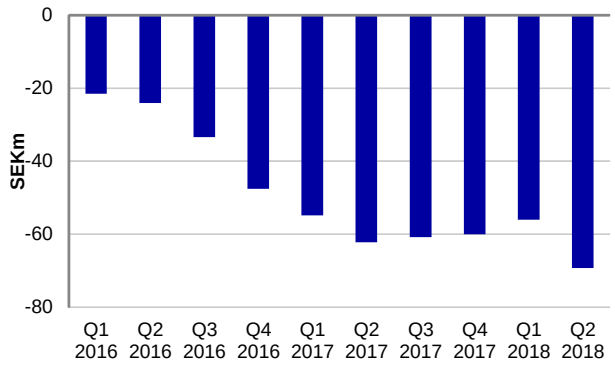
Cantargia reported Q2 2018 operating income of SEK -28.6m. This was a decline from the SEK -15.9m during the same quarter of 2017 and was also below our estimate of SEK -16.1m. The decline was a result of higher R&D spending during the quarter. We make minor estimate upgrades due to the strengthening of the USD and also take up our milestone assumptions due to the positive preclinical data and a strengthened patent situation. The key upcoming trigger will be the full phase I results of the company's CANFOUR study, which have been slightly delayed and are now expected in Q4 2018, and the subsequent initiation of phase IIa.

Costs were higher than we had anticipated

Cantargia reported Q2 2018 operating income of SEK -28.6m. This was a decline from the SEK -15.9m during the same quarter of 2017. The relatively high operating costs of SEK 28.6m were higher than our expectation of SEK 19.6m, but were a result of higher R&D spending, which can be quite bulky and volatile between individual quarters.

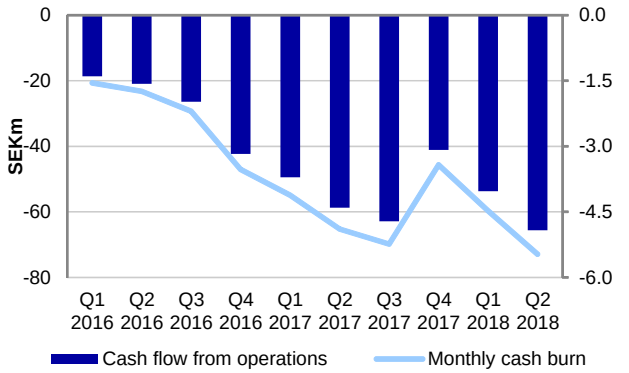
For the past 12 months period, operating income came in at SEK -69.3m, an increase from the SEK -62.2m in the preceding 12-month period. The increased loss is attributable to the company's intensified research activity.

OPERATING INCOME – ROLLING 12M



Source: Company data and Nordea

CASH FLOW OPERATIONS – ROLLING 12M



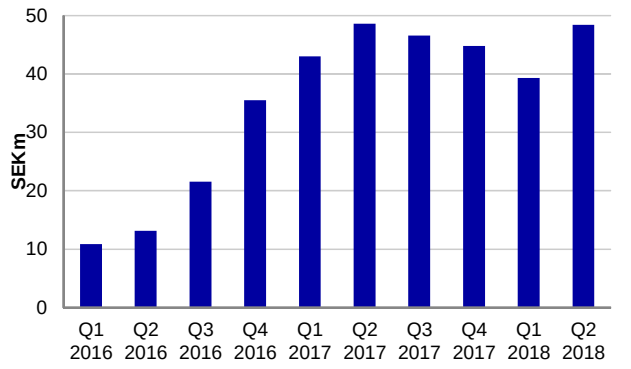
Source: Company data and Nordea

Higher R&D spending the main explanation for higher costs in the quarter

The R&D component of operating costs came in at SEK 19.9m in the quarter compared with SEK 11.4m in the same period in 2017. R&D costs for the last 12 months as of Q2 2018 thus came in at SEK 48.4m, on the same level as the SEK 48.6m during the preceding 12-month period. R&D costs are prone to fluctuate between quarters due to the timing of invoicing. There are also other costs, such as those relating to production for trials, that are not continuous but more of a one-off nature.

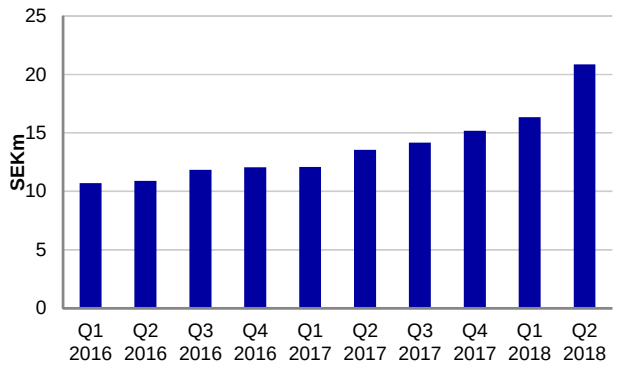
As for other operating expenses, these costs were reported at SEK 6.3m for the quarter and SEK 20.9m for the last 12 months, compared with SEK 1.9m and SEK 13.5m, respectively, for Q2 2017 and the preceding 12-month period.

R&D COSTS – ROLLING 12M



Source: Company data and Nordea

SG&A COSTS – ROLLING 12M



Source: Company data and Nordea

Update on the CANFOUR study, phase I now due in Q4 2018

15 patients treated so far in the phase I study, with CAN04 showing a good safety profile

On 13 July, Cantargia presented an update on the ongoing phase I of its CANFOUR clinical trial and the preparations for phase IIa. 15 patients have now been treated in the phase I study and CAN04 has so far been well tolerated. The most common side effect is an infusion related reaction during the first infusion and resolving within a few hours. This is a common side effect often observed with antibody therapy.

Completion of the study has been delayed to Q4 2018 due to a need to study more patients than initially planned

Regarding the timing, the company now expects phase I of the study to be completed during Q4, meaning it has been delayed compared with the previous communication. The delay is due to a need to include a few more patients in order to establish a maximum tolerated or recommended dose. We expect that around six more patients will be needed, which is basically in line with the guidance of including 15-20 patients in the first part of the study. As a result, this should not have a major impact on the study's costs. Since antibodies are usually well-tolerated and no severe adverse events have been reported related to CAN04, a positive outcome is expected, but the completion will still mark a major milestone in Cantargia's development.

Looking ahead to phase IIa study

Phase IIa is planned to be initiated shortly after the completion of phase I study and last for 12 months

The phase IIa part of the Canfour study is scheduled to commence shortly after the completion of phase I in Q4 2018. This part will focus on patients with NSCLC or pancreatic cancer. Besides monotherapy in these indications, combination therapies are planned to be investigated, backed by recent preclinical findings. In NSCLC, a combination will be performed with the standard therapy cisplatin/gemcitabine in patients not previously treated with chemotherapy, and with the standard therapy gemcitabine/nab-paclitaxel in patients with pancreatic cancer. It is estimated that the recruitment in the phase IIa part will take 12 months, and commence in late 2019 with results likely available in early 2020. The phase IIa part is planned to include approximately 20 centres in six to seven countries.

Research advances support CAN04's combination potential

Several advances on the research front have generated positive news flow over the last few months

During the past few months, Cantargia has delivered a positive news flow on the research front. In experimental models, CAN04 has been shown to reduce the tumour's ability to spread by metastasis.

New data supports a broadened use of CAN04 in several other types of cancer

New data supporting the use of CAN04 in several refractory tumour types, such as liver cancer, head and neck cancer, and esophageal cancer, has also been reported. Additionally, Cantargia has also demonstrated that CAN04 is well suited to be combined with chemotherapy drugs. With one of these chemotherapy drugs, cisplatin, it was able to show that CAN04 both enhanced the treatment effect and reduced side effects of cisplatin.

Strengthening of patent portfolio and new name for CAN04

Cantargia has also been able to deliver progress on the patent front in recent months:

- In May, the Canadian Intellectual Property Office approved Cantargia's patent for treatment of haematological cancer.
- In June, the United States Patent and Trademark Office (USPTO) approved a new patent for use of IL1RAP as target molecule for antibody treatment in haematological cancer as well as a patent relating to solid tumours.

Patent approvals have been granted in several geographies and

- In May, the USPTO issued a Notice of Allowance for Cantargia's CAN03 antibody.
- This month, Cantargia received preliminary approval for expanded patent protection for treatment of solid tumours as well as patent approval for its CAN04 antibody in China.

CAN04 was issued an official generic name by the WHO, nidanilimab

In addition to the granted patents, Cantargia announced on 19 June that the World Health Organization (WHO) had selected the International Nonproprietary Name (INN) nidanilimab as the official generic name for the company's proprietary antibody CAN04.

Several inflection points remain in 2018

Several triggers in the near term with updates on preclinical studies, listing change and US strategy expected during 2018

In addition to the expected progress in the CANFOUR study, we also expect the coming quarters to see updates on several other frontiers.

The company is preparing a listing change to the main list on Nasdaq OMX, which could improve liquidity in the stock and potentially attract new investors. The first step of this move was taken with the move to First North Premier in July 2018. The process is advancing as planned, according to the company, which expects the move to be completed in 2018.

During the remainder of 2018, Cantargia also expects to deliver preclinical data on combination therapies, report further progress in preclinical studies, and update the market on its regulatory and clinical strategy for the US.

Estimate changes

We slightly increase 2018E cost assumptions, but also raise our long term sales forecasts on the back of the dollar strength

We make some changes to our estimates to reflect the higher costs in Q2 than we had expected. We increase costs for 2018E but also raise our long-term sales assumptions owing to the strengthening USD. Furthermore, we raise our milestone assumptions to reflect a strengthened patent situation as well as the supportive preclinical data presented during the first half of the year.

We also assume somewhat higher milestones, which lifts the valuation

In regards to the delayed phase I results, we do not consider this a major uncertainty as safety is usually of lesser concern for an antibody therapy. Instead, we view the results from the second part of the study as the main trigger and obstacle. All in all, our estimate revisions lift our valuation to between SEK 17.8 and SEK 20.5 per share, compared with SEK 15.0 to SEK 17.4 previously.

Factors to consider when investing in Cantargia

Cantargia is a biotech company active in the rapidly growing field of immuno-oncology, specialising in antibody-based cancer treatment. Its lead candidate CAN04, currently undergoing the ph I/IIa CANFOUR study, has a dual mechanism of action as it activates the immune system and blocks signals that lead to tumour growth. CAN04 is a likely candidate for combination therapies, which are increasingly viewed as the future of cancer treatment, and the targeted indications have substantial market potential. Given a positive outcome of the CANFOUR study, we expect the company to close a partnership deal on CAN04 in 2020. The company's patent portfolio is quite unique, with protection not only for drug candidates but also for their target molecule. An impressive list of institutional owners has contributed to Cantargia being fully funded until 2020. Near-term triggers involve ph I results during Q4 2018, initiation of ph IIa shortly thereafter, and a listing change during H2 2018.

We identify a number of key themes describing the investment case in Cantargia

We consider the following factors key when evaluating an investment in Cantargia:

- Lead antibody candidate CAN04 has a dual mechanism of action, both inhibiting tumour growth and activating the body's immune system, stimulating it to attack cancer cells. Furthermore, its IL-1 pathway has been clinically validated through Novartis' extensive CANTOS trial.
- Immuno-oncology is the strongest-growing pharmaceutical segment and Cantargia's initial target indications, NSCLC and pancreatic cancer, represent substantial market opportunities. In addition, the company's platform also has potential in additional attractive cancer indications and in other diseases.
- Cantargia has a unique patent portfolio, with protection not only for product candidates but also for the use of IL1RAP as a target molecule.
- Rare institutional ownership in an early-stage life science company. These strong owners have contributed to the company having full funding until 2020.
- Ph I results, ph IIa initiation and listing change are triggers we see in 2018. In a longer perspective, the major event will be the result of the CANFOUR study and, given a positive outcome, a subsequent licensing deal.

Key risk factors:

- Clinical trials are risky and have no guarantee of success, despite promising results in a preclinical setting.
- Cantargia is still in the development phase and is currently not generating any positive cash flow.
- Cantargia faces competition from companies with extensive experience and resources. Apart from established treatments, Cantargia could also see competition from novel treatments currently under development.
- The company is highly dependent on a number of key employees.

Dual mechanism of action with externally validated pathway

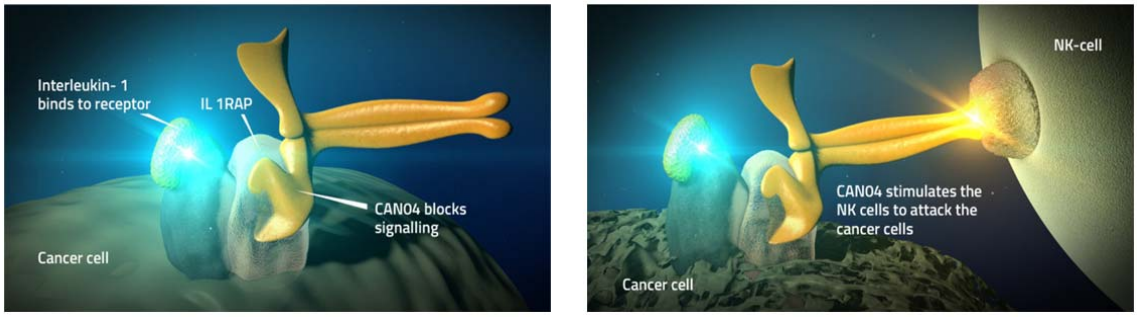
Dual mechanism of action as CAN04 inhibits tumour growth and activates the body's immune system

CAN04, Cantargia's lead antibody candidate, has a dual mechanism of action as it not only inhibits tumour growth but also activates the body's immune system. The antibody attaches to the IL1RAP receptor molecule and blocks it from sending signals that induce inflammation and contribute to tumour growth. At the same time, it stimulates the body's immune system, which sends natural killer (NK) cells to attack the tumour. Recent data presented at this years AACR conference also indicated that, in addition to its dual mechanism, CAN04 also has the potential to counteract metastasis.

CAN04 is a likely candidate for combination therapies

Given positive outcomes in the clinic, Cantargia could position CAN04 as a valuable addition to combination therapies and potentially generate significant interest in a licensing deal from pharmaceutical companies.

ONE ANTIBODY – TWO POTENTIAL MODES OF ACTION



Source: Company data and Nordea

Novartis' CANTOS trial clinically validated the IL-1 pathway and generated results promising enough for Novartis to commission three ph III studies in NSCLC

The scientific case for CAN04 was recently strengthened when Novartis' extensive CANTOS trial clinically validated its IL-1 pathway. The results in the study regarding lung cancer incidence and death were promising enough for Novartis to commission a further three ph III studies. This substantial investment indicates the significant potential that Novartis sees for its Canakinumab drug.

Cantargia's CAN04 plausibly has higher potential than Canakinumab considering that it not only blocks the IL-1b ligand, which is what Canakinumab does, but also the IL-1a ligand and also induces killing of the cancer cells via the immune system.

Attractive immuno-oncology assets

Immuno-oncology is the strongest-growing pharmaceutical segment

Immuno-oncology is the strongest-growing pharmaceutical segment and has seen a flurry of deal making in recent years. In the past five years, the segment accounted for 32 of the 35 multi-billion dollar oncology licensing deals, according to Defined Health. Deal activity has largely been the result of pharma companies on the prowl for potential components to combination therapies, which are emerging as a likely standard of care for cancer treatment.

Combination therapies are increasingly seen as the future standard of cancer care and potential components are being snapped up

Owing to the challenging nature of the discovery of effective combinations, high-potential candidates can generate substantial value quite early in the clinical stage. Given a dual mechanism of action, CAN04 could thus generate interest from the likes of Bristol-Myers Squibb as a potential component in combination therapies. As an indication of the potential value that can be unlocked given a positive readout in the ongoing CANFOUR study, Defined Health found that the average licensing deal in 2015-16 for immuno-oncology projects in ph II was USD 601m, with an average upfront payment of USD 130m.

Target indications represent substantial market opportunities

NSCLC and pancreatic cancer represent substantial market opportunities

Non-small cell lung cancer (NSCLC) and pancreatic cancer, the company's initial target indications, represent substantial market opportunities that are expected by consensus to grow at high rates in the coming years.

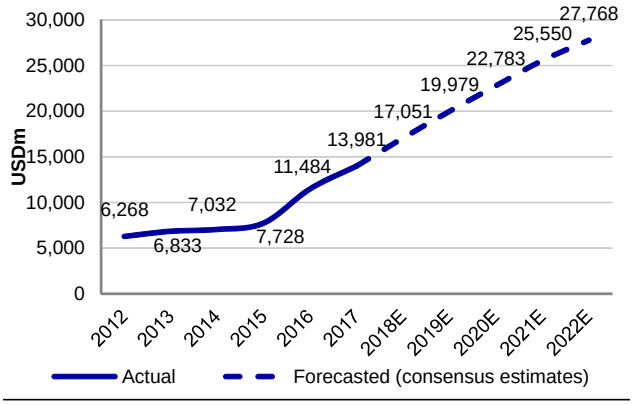
Immuno-oncology is expected to grow its market share in the NSCLC market and grow at a 19% CAGR until 2022

Lung cancer is among the deadliest types of cancer, and 80-85% of all lung cancers are NSCLC. There are four antibody treatments for NSCLC sold globally, and consensus forecasts indicate that immuno-oncology will expand its NSCLC market share and grow at a 19% CAGR, compared with the total NSCLC market at 15%. In 2017 global sales in the NSCLC were USD 14.0bn and consensus estimates compiled by Evaluate Pharma indicate a total market of USD 27.8bn in 2022.

Pancreatic cancer is extremely difficult to treat and the indication most in need of new treatment alternatives amongst all cancer types

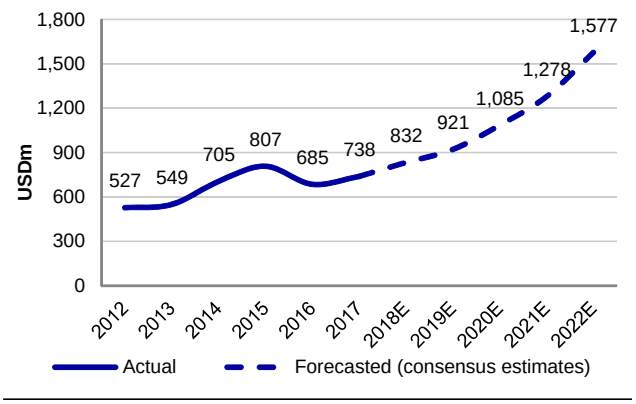
Pancreatic cancer is extremely difficult to treat since it is most often discovered at a late stage. According to Evaluate's data, global sales in the pancreatic cancer market reached USD 738m in 2017 and they are forecast to grow at a 16% CAGR to USD 1.6bn by 2022. The acceleration in sales is primarily driven by innovation of new products, with eight new products, currently under development, factored into the consensus forecasts. According to an Ipsos Healthcare survey amongst oncologists in the US and Europe, pancreatic cancer was perceived as the cancer type most in need of new treatment alternatives.

GLOBAL SALES IN THE NSCLC MARKET



Source: Evaluate Pharma

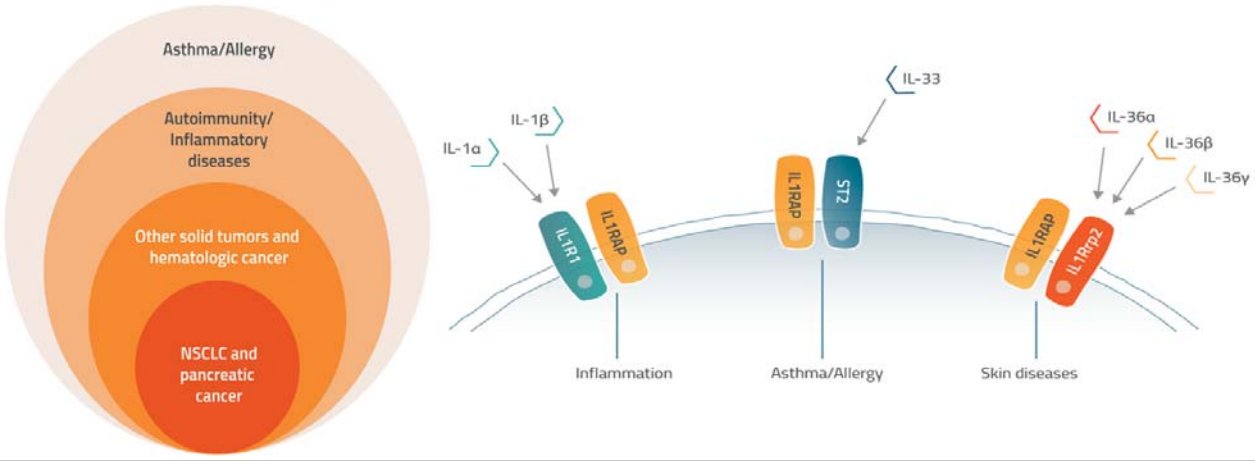
GLOBAL SALES IN THE PANCREATIC CANCER MARKET



Source: Evaluate Pharma

In addition to NSCLC and pancreatic cancer, CAN04 has potential in further cancer indications and the research phase CANxx project adds indications beyond cancer, such as autoimmune and inflammatory diseases.

INDICATIONS WITH POTENTIAL FOR CANTARGIA'S PLATFORM



Source: Company data and Nordea

Cantargia's strong patent portfolio includes unique protection for the use of IL1RAP as a target molecule that could add a premium to a future partnership deal

Unique patent portfolio

Cantargia has a strong patent portfolio that provides protection for its initial indications in solid tumours, ie NSCLC and pancreatic cancer, until 2035. What differentiates Cantargia from many of its peers with regards to patents is that it not only has patent protection for its product candidates but also for the use of IL1RAP as a target molecule, which is a unique situation. Although Cantargia's patents were recently challenged in Europe, the opposition was rejected by the European Patent Office in January 2018 and the patents remain in force. We believe the patent protection for using IL1RAP as a target molecule represents a strong selling point that could add a premium in a future partnership deal around CAN04.

PATENT OVERVIEW

Patent family	Patent application	Approved patents	Validity
Hematological cancers	Australia, Canada, China, Europe, Israel, Japan, Mexico, South Africa, USA	Australia, Canada, China, Europe (France, Italy, Netherlands, Switzerland, Spain, Great Britain, Germany), Israel, Japan, Mexico, South Africa, USA	2030
Solid tumors	Australia, Brazil, Canada, China, Europe, Japan, Mexico, Russia, South Korea, USA	Australia, Europe (Belgium, Denmark, France, Ireland, Italy, Netherlands, Poland, Switzerland, Spain, Sweden, Germany, Austria), Japan, Mexico, USA, Russia	2032
CAN04	Australia, Brazil, Canada, China, Europe, India, Israel, Japan, Mexico, Russia, Singapore, South Africa, South Korea, USA	China, Europe (Austria, Belgium, Czech Republic, Denmark, Estonia, France, Germany, Great Britain, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, Turkey), South Africa, USA	2035
CAN01 & CAN03	Australia, Brazil, Canada, China, Europe, India, Japan, Mexico, South Korea, USA	National phase examination in progress	2035

Source: Company data and Nordea estimates

Strong owners have provided full funding until 2020

Rare institutional ownership in an early-stage life science company sends a positive signal

Cantargia's ownership structure is a rare sight among life science companies in a relatively early stage of development. The top owners include three of the six national pension funds in Sweden as well as additional well-renowned institutional investors. These strong owners have helped fill the company's coffers with sufficient funding to cover operations until 2020. At that point, results of the CANFOUR study should have been reported and, given a positive outcome, the company is likely to have reached a licensing deal with a partner that can support or take over the continued development of CAN04.

Combined directed issue and rights issue in December 2017 brought in SEK 232m, securing funding needs until 2020

In December 2017, Cantargia conducted a combined directed issue and rights issue that raised SEK 232m before costs. The majority of the proceeds will be devoted to lead candidate CAN04 but the funding will also enable further development of the CANxx project in autoimmune and inflammatory diseases – in preclinical phase.

USE OF COMBINED DIRECTED ISSUE AND RIGHTS ISSUE PROCEEDS

Use	Amount (SEKm)
Clinical trial phase IIa CAN04 (solid tumours)	60
Preclinical support CAN04	20
Other development CAN04	40
Preclinical and other activities CANxx	40
Other working capital strengthening	49
Issuance costs	23
Total	232

Source: Company data and Nordea estimates

Ph I results and listing change represent triggers in 2018

Near-term triggers include the results of the ph I part of the CANFOUR study

We expect ph I of the ongoing CANFOUR study to be completed in Q4 2018, with results representing a near-term trigger for Cantargia. The results announcement will also signal the initiation of the ph IIa part of the study, which is planned to follow directly on the completion of ph I.

Listing change and news on the company's strategy for the US are also expected in 2018

During 2018, the company also expects to update the market on its regulatory and clinical strategy for the US. In addition to the research-related news flow, the company is also preparing a listing change from First North to the main list at Nasdaq OMX, which could improve liquidity in the stock and potentially attract new investors.

UPCOMING TRIGGERS IN 2018

Event	Expected
Results of phase I part of CANFOUR study	Q4 2018
Initiation of phase IIa part of CANFOUR study	Q4 2018
US clinical and regulatory strategy announcement	H2 2018
Listing change to Nasdaq Main Market	H2 2018

Source: Company data and Nordea estimates

The outcome of the CANFOUR study, expected in 2019, will represent a pivotal event for Cantargia

From a longer-term perspective, the most important trigger for Cantargia will be the final results of the CANFOUR study, which we expect to have been reported by early 2020. Given a positive outcome, a subsequent licensing deal could constitute a major event of value creation and provide the company with financial resources to fund the continued development of its CANxx project.

ESTIMATED TIMETABLE FOR CANTARGIA'S PROJECTS

Event	Indication	Q3 2018	Q4 2018	H1 2019	H2 2019	H1 2020
CAN04 phase I (CANFOUR)	Cancer					
CAN04 phase IIa (CANFOUR)	NSCLC, Pancreatic cancer					
CANxx, discovery phase	Autoimmune & inflammatory diseases					
CANxx, preclinical phase	Autoimmune & inflammatory diseases					

Source: Company data and Nordea estimates

Our DCF valuation indicates an fair value range of SEK 17.8-20.5 per share

Valuation

Based on the assumption that the company can deliver in line with our expectations, and using a WACC of 10-12%, we estimate a fair value range of SEK 17.8-20.5 per share. We derive our fair value from our fundamental DCF framework.

A full description of the risk factors we find most relevant for Cantargia can be found on pages 11-12

Risk factors

Clinical trials are risky and there are no guarantees they will be successful, despite promising results in previous trials. Even in the event of positive results, there is a risk that regulatory bodies, such as the FDA and EMA, might have another interpretation of the results. Trials are time-consuming, expensive and require certain expertise. It can take several years to complete a trial, and regulatory bodies may delay or terminate trials at any time.

Cantargia is still in a development phase and is not generating positive cash flows.

The market for pharmaceutical products is highly competitive and Cantargia could face competition for its products and product candidates from companies with extensive experience and resources. Apart from established treatments, Cantargia might also face competition from novel treatments currently under development.

The company's future success is dependent on its ability to keep, motivate and attract key personnel. This includes senior scientists as well as senior management.

We provide a full description of the main risk factors we find relevant for Cantargia on pages 11-12.

Further information

We provide a more in-depth description of the company's scientific concept, research design, underlying market as well as historical financials and more detailed estimates in our initiation report published in May 2017. The full report can be accessed via this link: https://research.nordea.com/Company/Display/14812

Detailed estimates

CANTARGIA: P&L QUARTERLY AND ANNUAL ESTIMATES

SEKm	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018E	Q4 2018E	2018E	2019E	2020E
Sales	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**547.7**
growth (%)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA	**-17.2**	**-15.3**	**-11.1**	**-14.4**	**-15.2**	**-28.6**	**-14.2**	**-16.8**	**-74.8**	**-88.7**	**485.2**
margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.9
EBIT	**-17.2**	**-15.3**	**-11.1**	**-14.4**	**-15.2**	**-28.6**	**-14.2**	**-16.8**	**-74.8**	**-88.7**	**485.2**
margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.9
Net financials	0.0	0.0	0.0	-0.3	1.6	0.4	1.0	1.0	4.0	2.6	1.3
EBT	**-17.2**	**-15.3**	**-11.1**	**-14.7**	**-13.7**	**-28.1**	**-13.2**	**-15.8**	**-70.8**	**-86.0**	**486.6**
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**-17.2**	**-15.3**	**-11.1**	**-14.7**	**-13.7**	**-28.1**	**-13.2**	**-15.8**	**-70.8**	**-86.0**	**486.6**

Source: Company data and Nordea estimates

Risk factors

Below, we list the main risk factors we find relevant for Cantargia. The purpose of this is not to provide a comprehensive picture of all of the risks that the company may be subject to, but instead to highlight those that we find most relevant. The main risks we identify relate to the success of clinical trials, regulatory uncertainty and the limited commercial history of the company.

Cantargia is dependent on the success of its product candidate

Dependence on one drug candidate
Cantargia is dependent on regulatory approvals and the successful commercialisation of its product candidate, CAN04. Failure to receive approval for this product candidate could affect the prospects for strategic collaborations and funding, and thus limit future earnings potential.

Clinical trials are risky and time-consuming

Clinical studies are risky and require substantial resources
Clinical trials are risky and there are no guarantees that they will be successful despite promising results in earlier trials. Even in the event of positive results, there is a risk that regulatory bodies, such as the FDA and EMA, might have another interpretation of the results. Trials are also time-consuming and expensive, and they require certain expertise. It can take several years to complete a trial, and regulatory bodies may delay or terminate trials at any time.

Regulatory outcomes are uncertain and differ between regions

Regulatory approvals
Regulatory processes are also uncertain, demanding substantial time and resources from management. In addition, the requirements might differ between countries, and additional studies could be required to obtain approvals. In the event of approval, products will still undergo continual regulatory overviews covering all parts of the manufacturing process, labelling, packing, distribution etc. Failure to comply with current regulations could lead to marketing restrictions being imposed and recalls, among other things. Another risk is that the current policies may change in the future.

Pharmaceutical products are governed by strict regulation

Manufacturing
Manufacturing of Cantargia's product candidate requires compliance with the EMA, FDA and other international standards, such as current Good Manufacturing Practice (GMP). If the company fails to meet these standards, this could cause production disruptions that could delay clinical trials. Increased requirements in the future could also cause disruptions and lead to increased investments.

Cantargia could face competition from companies with extensive experience and resources

Competition
The market for pharmaceutical products is highly competitive and Cantargia might face multiple competitors for its products and product candidates, including major pharmaceutical companies, speciality pharma companies and biotechnology companies. Apart from established treatments, Cantargia might also face competition from novel treatments currently under development.

Several of the current and potential competitors also have significant advantages in terms of experience, resources and established market positions. In addition, early-stage companies might also prove a threat, through strategic collaborations with larger players.

Product could cause severe side effects

Adverse events
There is a risk that the company's product candidate could cause serious and/or unexpected side effects. If these were to occur, they could cause a delay to clinical trials or even stop them, leading to negative outcomes in market approval processes, induce labelling requirements, or be the source of legal disputes and reputational damage.

Cantargia does not have sufficient funds to reach the commercial phase on its own

Financial position and capital needs
Cantargia is still in a development phase and is currently not generating any positive operational cash flows. While the company recently received a significant boost to its financial position with the SEK 232m equity issue in Q4 2017, the proceeds will last only until 2020. The company is continually working with several different financing options,

eg licensing deals, to ensure that it has enough liquidity until its products are registered and can generate revenue streams. The company believes its prospects of receiving funding through a licensing deal are good, but if it were not to receive sufficient funds, it would be difficult for Cantargia to continue as a going concern.

Its limited history makes it difficult to predict the long-term viability of the business

Limited operational history to assess long-term viability

Cantargia has been an active company since 2009, but operations have so far been limited to early-stage development activities such as identifying product candidates, raising capital and conducting pre-clinical studies. In order to take the next step by advancing through the clinical stages and later commercialising the product, the company might need to recruit personnel with new skill sets.

Cantargia depends on key personnel, including scientists

Hiring/maintaining qualified personnel

Cantargia's future success is dependent on its ability to keep, motivate and attract key personnel. This includes senior scientists as well as senior management. Loss of key individuals could lead to delays to or prevention of the successful development of its product candidates. As previously mentioned, the company might also need to add new capabilities to engage in commercial activities and failure to do so could limit its future success.

Intellectual property is key to the future success of its product candidates

Patents and other intellectual property rights

Intellectual property is crucial in pharmaceutical development and Cantargia has a broad portfolio of issued, pending and published patents covering many of the major markets. However, if the company cannot adequately defend its intellectual property, this could affect the future success of its product candidate. It might also be forced into litigation or could itself be subject to allegations of patent infringements by a third party.

Reported numbers and forecasts

INCOME STATEMENT											
SEKm	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Net revenue	**n.a.**	**n.a.**	**n.a.**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**548**
Revenue growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	0	0	0	-8	-8	-17	-48	-60	-75	-89	485
Depreciation and impairments PPE	0	0	0	0	0	0	0	0	0	0	0
EBITA	0	0	0	-8	-8	-17	-48	-60	-75	-89	485
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	n.a.	n.a.	n.a.	-8	-8	-17	-48	-60	-75	-89	485
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	0	0	0	0	0	4	3	1
Pre-tax profit	**0**	**0**	**0**	**-8**	**-8**	**-17**	**-47**	**-60**	**-71**	**-86**	**487**
Reported taxes	0	0	0	0	0	0	0	0	0	0	0
Net profit from continued operations	0	0	0	-8	-8	-17	-47	-60	-71	-86	487
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	0	0	0	-8	-8	-17	-47	-60	-71	-86	487
EPS	**n.a.**	**n.a.**	**n.a.**	**-1.25**	**-1.10**	**-1.27**	**-2.27**	**-1.28**	**-1.07**	**-1.30**	**7.35**
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent											
EBITDA	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	88.6%
EBITA	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	88.6%
EBIT	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	88.6%
Adjusted earnings											
EBITDA (adj)	0	0	0	-8	-8	-17	-48	-60	-75	-89	485
EBITA (adj)	0	0	0	-8	-8	-17	-48	-60	-75	-89	485
EBIT (adj)	0	0	0	-8	-8	-17	-48	-60	-75	-89	485
EPS (adj)	n.a.	n.a.	n.a.	-1.25	-1.10	-1.27	-2.27	-1.28	-1.07	-1.30	7.35
Adjusted profit margins in percent											
EBITDA (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	88.6%
EBITA (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	88.6%
EBIT (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	88.6%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	39.1%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	39.1%

VALUATION RATIOS - ADJUSTED EARNINGS											
SEKm	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
P/E (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	2.5
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.4
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.4
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.4

VALUATION RATIOS - REPORTED EARNINGS											
SEKm	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	2.5
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.3
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.4
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.4
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.4
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-13.7%	-7.6%	-7.0%	37.1%
Payout ratio	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Intangible assets	0	0	1	2	2	0	0	0	0	0	0
of which R&D	0	0	1	2	2	0	0	0	0	0	0
of which other intangibles	0	0	0	0	0	0	0	0	0	0	0
of which goodwill	0	0	0	0	0	0	0	0	0	0	0
Tangible assets	0	0	0	0	0	0	0	0	0	0	0
Shares associates	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	2	3	3	0	0	0
Total non-current assets	0	0	1	2	3	2	3	3	0	0	0
Inventory	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	0	0	0	0	82
Other current assets	0	0	0	1	1	1	2	2	0	0	27
Cash and bank	0	0	3	1	17	25	35	270	175	89	549
Total current assets	0	0	3	2	17	25	37	271	175	89	658
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total assets	**0**	**0**	**4**	**4**	**20**	**27**	**40**	**274**	**175**	**89**	**658**
Shareholders equity	0	0	3	3	4	24	30	246	175	89	576
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	0	0	3	3	4	24	30	246	175	89	576
Deferred tax	0	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	0	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	0	0	0	0	0	0	0	0	0	0	0
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	0	0	1	1	2	7	21	0	0	55
Other current liabilities	0	0	0	0	15	1	2	8	0	0	27
Short term interest bearing debt	0	0	0	0	0	0	0	0	0	0	0
Total current liabilities	0	0	1	1	16	3	10	28	0	0	82
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**0**	**0**	**4**	**4**	**20**	**27**	**40**	**274**	**175**	**89**	**658**
Balance sheet and debt metrics											
Net debt	0	0	-3	-1	-17	-25	-35	-270	-175	-89	-549
Working capital	0	0	0	0	-15	-2	-7	-27	0	0	27
Invested capital	0	0	0	2	-13	-1	-5	-24	0	0	27
Capital employed	0	0	3	3	4	24	30	246	175	89	576
ROE	n.m.	n.m.	0.0%	-256.0%	-231.6%	-123.4%	-176.5%	-43.6%	-33.6%	-65.0%	146.3%
ROIC	n.m.	n.m.	0.0%	-604.2%	115.8%	199.6%	1,337.9%	328.8%	493.4%	n.m.	2,764.4%
ROCE	n.a.	n.a.	n.a.	-254.8%	-198.1%	-71.6%	-158.3%	-24.4%	-42.7%	-99.3%	84.3%
Net debt/EBITDA	n.m.	n.m.	n.m.	0.2	2.1	1.4	0.7	4.5	2.3	1.0	-1.1
Interest coverage	n.a.	n.a.	n.a.	n.m.	-29.9	-87.2	-729.6	-182.1	n.m.	n.m.	n.m.
Equity ratio	n.m.	n.m.	81.5%	78.5%	20.4%	88.3%	75.6%	89.7%	100.0%	100.0%	87.5%
Net gearing	n.m.	n.m.	-86.2%	-47.8%	-406.6%	-103.1%	-116.0%	-109.6%	-100.0%	-100.0%	-95.2%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EBITDA (adj) for associates	**0**	**0**	**0**	**-8**	**-8**	**-17**	**-48**	**-60**	**-75**	**-89**	**485**
Paid taxes	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	0	0	0	0	0	4	3	1
Change in provisions	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	0	0	0	0	-1	-1	0	3	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	0	0	0	0	0	1	1	0	0	0	0
Funds from operations (FFO)	**0**	**0**	**0**	**-8**	**-8**	**-17**	**-47**	**-60**	**-68**	**-86**	**487**
Change in NWC	0	0	0	0	15	-13	5	19	-27	0	-27
Cash flow from operations (CFO)	**0**	**0**	**0**	**-8**	**7**	**-30**	**-42**	**-41**	**-94**	**-86**	**459**
Capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Free cash flow before A&D	**0**	**0**	**0**	**-8**	**7**	**-30**	**-42**	**-41**	**-94**	**-86**	**459**
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Free cash flow	0	0	0	-8	7	-30	-42	-41	-94	-86	459
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	0	0	0	8	10	45	56	304	0	0	0
Net change in debt	0	0	0	0	0	0	0	0	0	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	3	-1	-1	-7	-4	-28	0	0	0
Change in cash	0	0	3	-1	15	8	10	235	-94	-86	459
Cash flow metrics											
Capex/D&A	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/Sales	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.0%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6	19	19	19
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	300	1,238	1,238	1,238
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	31	1,062	1,148	689
Diluted no. of shares, year-end (m)	0.0	0.0	0.0	6.3	7.6	13.5	20.9	46.9	66.2	66.2	66.2

Source: Company data and Nordea estimates

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Nordea Bank AB (publ)

Nordea Markets Division, Equities
Visiting address:
Smålandsgatan 15
SE-105 71 Stockholm
Sweden

Tel: +46 8 614 7000
Fax: +46 8 534 911 60

Reg.no. 516406-0120
Smålandsgatan 17
Stockholm

Nordea Danmark, filial af Nordea Bank AB (publ) Sverige

Nordea Markets Division, Equities
Visiting address:
Grønjordsvej 10
2300 Copenhagen S
Denmark

Tel: +45 3333 3333
Fax: +45 3333 1520

Nordea Bank AB (publ), filial i Finland

Nordea Markets Division, Equities
Visiting address:
Aleksis Kiven katu 7, Helsinki
FI-00020 Nordea
Finland

Tel: +358 9 1651
Fax: +358 9 165 59710

Nordea Bank AB (publ), filial i Norge

Nordea Markets Division, Equities
Visiting address:
Essendropsgate 7
N-0107 Oslo
Norway

Tel: +47 2248 5000
Fax: +47 2256 8650