

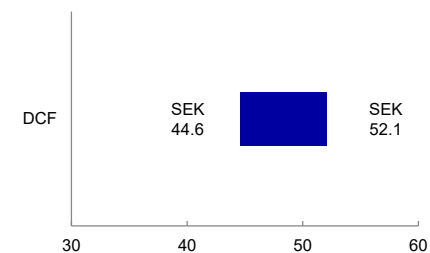
KEY DATA

Stock country	Sweden
Bloomberg	CANTA SS
Reuters	CANTA.ST
Share price (close)	SEK 26.20
Free Float	80%
Market cap. (bn)	EUR 0.26/SEK 2.63
Website	http://cantargia.com/
Next report date	19 Aug 2021

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	-100%	-100%	661%
EBIT (adj)	-115%	-632%	746%

Source: Nordea estimates

Nordea Markets - Analysts

Agnieszka Vilela
DirectorJosefine Persson
Assistant Analyst

Final readout of CANFOUR to come

After Cantargia's CMD last week, the Q1 report offered few surprises. The increased operating loss versus our previous estimate was likely due to R&D investments during the quarter. We make some estimate revisions following the report, owing to an expected increase in spending for the next two years and a somewhat improved outlook for CAN04 following the interim ph II data reported last week. We lower our DCF-based fair valuation range to SEK 45-52 (54-59) per share.

Investing in R&D

Cantargia reported an operating loss of SEK 73.2m for Q1 2021, a 45% bigger loss than we expected (SEK -50.5m) and 83% greater loss than last year (SEK -36.4m). The increased spending is related to larger investments in R&D to broaden its pipeline in additional cancer types and autoimmune/inflammatory diseases. During the quarter, Cantargia's share price dropped sharply after Novartis announced its ph III results for Canakinumab in NSCLC. The candidates are largely similar, but we maintain our confidence in the potential for CAN04, as it has a broader mechanism of action.

Main CMD takeaways

Interim results from the CANFOUR study in PDAC were presented last week. The median preliminary survival rate was 12.6 months with CAN04 in PDAC compared to historical data of 8.5 months with gemcitabine/nab-paclitaxel alone. We argue that the 48% improvement in survival is strong, as it is well above the company's expected requirement for approval of 25%. Moreover, five cases of pseudoprogression were observed, which we view as a sign of a good effect, since it is a common phenomenon among other successful immunotherapies but never observed in PDAC. In our view, there are two main concerns for the study – 70% of patients reported neutropenia and the study has a poor sample size of 33 patients. The side effects are manageable, however, and will be further evaluated in the extension study, which will add another 40 patients.

Key near-term catalyst is the final readout of CANFOUR

We make some estimate revisions due to an expected increase in cash spending during the coming two years, improved market share, a greater likelihood of approval for CAN04 in PDAC (from 18.5% to 25%), and the potential of ph III being initiated companionless. Near-term catalysts include the final readout of CANFOUR, the end-of-ph II meeting with regulatory authorities, and potentially starting a ph III study in mid-2022.

SUMMARY TABLE - KEY FIGURES

SEKm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	0	0	0	0	0	0	987
EBITDA (adj)	-60	-93	-112	-174	-385	-497	971
EBIT (adj)	-60	-93	-112	-174	-385	-497	971
EBIT (adj) margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.4%
EPS (adj, SEK)	-1.28	-1.38	-1.52	-1.93	-3.82	-3.81	7.57
EPS (adj) growth	39.9%	-7.3%	-10.5%	-26.5%	-98.4%	0.2%	298.5%
DPS (ord, SEK)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.7
EV/EBIT (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.7
P/E (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	3.5
P/BV	1.2	6.1	10.3	7.2	5.2	20.6	3.0
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	-13.7%	-11.1%	-7.6%	-2.4%	-15.5%	-14.6%	31.1%
Net debt	-270	-167	-150	-903	-497	-115	-932
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-1.0
ROIC after tax	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Company data and Nordea estimates

Detailed estimates

CANTARGIA: DETAILED ESTIMATES (SEKm)

	2020				2021E				2019	2020	2021E	2022E	2023E
	Q1	Q2	Q3	Q4	Q1	Q2 E	Q3E	Q4E					
Income (incl. milestones)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	986.7
Research and development costs	-36.1	-33.7	-35.7	-52.9	-69.0	-85.0	-100.0	-115.0	-97.5	-158.4	-369.0	-481.0	0.0
Administrative costs	-3.4	-4.1	-4.0	-3.5	-3.4	-4.0	-4.0	-4.0	-13.1	-14.9	-15.4	-15.4	-15.4
Other operating expenses	-0.4	0.1	-0.3	-0.1	-0.8	0.0	0.0	0.0	-1.0	-0.6	-0.8	-0.8	-0.8
EBIT	-39.9	-37.7	-39.9	-56.5	-73.2	-89.0	-104.0	-119.0	-111.6	-173.9	-385.2	-497.2	970.6
Net financials	0.0	0.6	0.3	0.0	0.6	0.6	0.6	0.6	0.8	1.8	2.4	7.4	1.7
Net income	-40.0	-37.1	-39.6	-56.5	-72.6	-88.4	-103.4	-118.4	-110.8	-172.1	-382.8	-382.0	758.4

Source: Company data and Nordea estimates

Valuation

Based on our updated forecasts, we arrive at a new DCF-derived fair value range of SEK 45-52 (54-59), using a WACC of 10-12%.

SALES GROWTH VS EBIT MARGIN

		Sales growth change				
		-7.0pp	-3.5pp	+3.5pp	+7.0pp	
EBIT margin change	+7.0pp	46.6	47.7	49.1	50.7	52.6
	+3.5pp	46.2	47.3	48.6	50.1	51.9
		45.8	46.9	48.1	49.6	51.3
	-3.5pp	45.4	46.4	47.6	49.0	50.6
	-7.0pp	45.0	46.0	47.1	48.5	50.0

Source: Company data and Nordea estimates

WACC VS SALES GROWTH

		WACC				
		10.0%	10.5%	11.0%	11.5%	12.0%
Sales growth change	+7.0pp	55.8	53.5	51.3	49.2	47.3
	+3.5pp	53.8	51.6	49.6	47.6	45.8
		52.1	50.0	48.1	46.3	44.6
	-3.5pp	50.6	48.7	46.9	45.2	43.5
	-7.0pp	49.4	47.5	45.8	44.2	42.6

Source: Company data and Nordea estimates

WACC VS EBIT MARGIN

		WACC				
		10.0%	10.5%	11.0%	11.5%	12.0%
EBIT margin change	+7.0pp	53.2	51.1	49.1	47.2	45.4
	+3.5pp	52.6	50.5	48.6	46.7	45.0
		52.1	50.0	48.1	46.3	44.6
	-3.5pp	51.5	49.5	47.6	45.8	44.2
	-7.0pp	50.9	49.0	47.1	45.4	43.7

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	0	0	0	0	0	0	0	0	0	0	987
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	-17	-45	-60	-93	-112	-174	-385	-497	971
Depreciation and impairments PPE	0	0	0	0	0	0	0	0	0	0	0
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	0	0	-17	-45	-60	-93	-112	-174	-385	-497	971
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	0	0	-17	-45	-60	-93	-112	-174	-385	-497	971
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	2	1	2	2	7	2
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	0	-17	-45	-60	-91	-111	-172	-383	-490	972
Reported taxes	0	0	0	0	0	0	0	0	0	108	-214
Net profit from continued operations	0	0	-17	-45	-60	-91	-111	-172	-383	-382	758
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	-17	-45	-60	-91	-111	-172	-383	-382	758
EPS, SEK	n.a.	n.a.	-1.28	-2.14	-1.28	-1.38	-1.52	-1.93	-3.82	-3.81	7.57
DPS, SEK	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.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.4%
EBITA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.4%
EBIT	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.4%

Adjusted earnings

EBITDA (adj)	0	0	-17	-45	-60	-93	-112	-174	-385	-497	971
EBITA (adj)	0	0	-17	-45	-60	-93	-112	-174	-385	-497	971
EBIT (adj)	0	0	-17	-45	-60	-93	-112	-174	-385	-497	971
EPS (adj, SEK)	n.a.	n.a.	-1.28	-2.14	-1.28	-1.38	-1.52	-1.93	-3.82	-3.81	7.57

Adjusted profit margins in percent

EBITDA (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.4%
EBITA (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.4%
EBIT (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.4%

Performance metrics

CAGR last 5 years											
Net revenue	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	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.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	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.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-20.0%
Average EBITDA margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-20.0%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	3.5
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.7
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.7
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.7

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	3.5
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.72
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.7
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.7
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.7
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	n.a.	n.a.	n.a.	n.a.	-13.7%	-11.1%	-7.9%	-2.6%	-15.5%	-14.6%	31.1%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	-13.7%	-11.1%	-7.6%	-2.4%	-15.5%	-14.6%	31.1%
Payout ratio	n.a.	n.a.	0.0%	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	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Intangible assets	2	2	0	0	0	0	0	7	7	7	7
of which R&D	2	2	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	0	0	0	7	7	7	7
of which goodwill	0	0	0	0	0	0	0	0	0	0	0
Tangible assets	0	0	0	0	0	0	7	5	5	5	5
of which leased 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	2	3	3	3	0	0	0	0	0
Total non-current assets	2	3	2	3	3	3	7	13	13	13	13
Inventory	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	1	3	0	0	138
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	1	1	1	2	2	2	8	7	0	0	138
Cash and bank	1	17	25	35	270	167	150	903	497	115	932
Total current assets	2	17	25	37	271	168	159	913	497	115	1,209
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total assets	4	20	27	40	274	171	166	926	509	127	1,221
Shareholders equity	3	4	24	30	246	155	142	892	509	127	886
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	3	4	24	30	246	155	142	892	509	127	886
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	3	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Non-current lease debt	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	3	0	0	0
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	1	1	2	7	21	9	13	11	0	0	168
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	15	1	2	8	7	11	20	0	0	168
Short term interest bearing debt	0	0	0	0	0	0	0	0	0	0	0
Total current liabilities	1	16	3	10	28	16	24	30	0	0	335
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	4	20	27	40	274	171	166	926	509	127	1,221
Balance sheet and debt metrics											
Net debt	-1	-17	-25	-35	-270	-167	-150	-903	-497	-115	-932
of which lease debt	0	0	0	0	0	0	0	0	0	0	0
Working capital	0	-15	-2	-7	-27	-15	-14	-21	0	0	-59
Invested capital	2	-13	-1	-5	-24	-12	-8	-8	13	13	-47
Capital employed	3	4	24	30	246	155	142	892	509	127	886
ROE	0.0%	0.0%	n.m.	n.m.	-43.6%	-45.4%	-74.5%	-33.3%	-54.6%	n.m.	n.m.
ROIC	0.0%	0.0%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
ROCE	0.0%	0.0%	n.m.	n.m.	-43.4%	-45.4%	-74.5%	-33.3%	-54.6%	n.m.	n.m.
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-1.0
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	78.5%	20.4%	88.3%	75.6%	89.7%	90.4%	85.7%	96.4%	100.0%	99.9%	72.5%
Net gearing	-47.8%	-406.6%	-103.1%	-116.0%	-109.6%	-107.6%	-105.4%	-101.3%	-97.5%	-90.2%	-105.3%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
EBITDA (adj) for associates	0	0	-17	-45	-60	-93	-112	-174	-385	-497	971
Paid taxes	0	0	0	0	0	0	0	0	0	108	-214
Net financials	0	0	0	0	0	0	1	-1	2	7	2
Change in provisions	0	0	0	0	0	0	0	3	-3	0	0
Change in other LT non-IB	0	0	-1	-1	0	0	3	0	0	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	-8	-8	1	-2	0	0	-3	8	0	0	0
Funds from operations (FFO)	-8	-8	-17	-47	-60	-93	-111	-163	-386	-382	758
Change in NWC	0	15	-13	5	19	-12	0	6	-21	0	59
Cash flow from operations (CFO)	-8	7	-30	-42	-41	-105	-111	-156	-407	-382	818
Capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Free cash flow before A&D	-8	7	-30	-42	-41	-105	-111	-156	-407	-382	818
Proceeds from sale of assets	0	0	0	0	0	0	3	0	0	0	0
Acquisitions	0	0	0	0	0	0	-7	-9	0	0	0
Free cash flow	-8	7	-30	-42	-41	-105	-115	-165	-407	-382	818
Free cash flow bef A&D, lease adj	-8	7	-30	-42	-41	-105	-111	-156	-407	-382	818
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	8	10	45	56	304	0	98	919	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	30	0	0	0	0	0
Other non-cash adjustments	-1	-1	-7	-4	-28	-28	0	0	0	0	0
Change in cash	-1	15	8	10	235	-103	-17	753	-407	-382	818
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.m.	n.m.	n.m.	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.	6	14	20	64	26	26	26
Market cap.	n.a.	n.a.	n.a.	n.a.	300	940	1,467	6,412	2,625	2,625	2,625
Enterprise value	n.a.	n.a.	n.a.	n.a.	31	773	1,317	5,509	2,128	2,510	1,693
Diluted no. of shares, year-end (m)	0.0	0.0	13.5	20.9	46.9	66.2	72.8	100.2	100.2	100.2	100.2

Source: Company data and Nordea estimates

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Completion Date

27 May 2021, 01:31 CET

Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
Nordea Markets Division, Research Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland Tel: +358 9 1651 Fax: +358 9 165 59710 Reg.no. 2858394-9 Satamaradankatu 5 Helsinki	Nordea Markets Division, Research Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Nordea Markets Division, Research Visiting address: Grønjørdsvej 10 DK-2300 Copenhagen S Denmark Tel: +45 3333 3333 Fax: +45 3333 1520	Nordea Markets Division, Research Visiting address: Essendropsgate 7 N-0107 Oslo Norway Tel: +47 2248 5000 Fax: +47 2256 8650