EDISON

Cantargia

Clinical data from competitor

Novartis's CANOPY-2 trial disappoints

Pharma & biotech

Novartis has reported negative headline data from its Phase III CANOPY-2 trial, investigating canakinumab (anti-IL1beta) with docetaxel for 2nd/3rd-line NSCLC. Cantargia's lead asset CAN04 (anti-IL1RAP) is a potential competitor. While we acknowledge that Novartis's data has created negative sentiment, we believe CAN04 is clearly differentiated. Cantargia's Phase IIa CANFOUR trial investigates CAN04 in a combination with a different chemotherapy (platinum-based as opposed to docetaxel in the Novartis trial) and CAN04 blocks the signalling from both IL-1alpha and IL-1beta (recent interim data from the CANFOUR trial was positive). In addition, CAN04 has been show to effectively induce cancer cell death by an established mechanism ADCC (antibody-dependent cellular cytotoxicity). Ultimately, Novartis's results will add to the totality of data and help Cantargia define CAN04's positioning. Near-term catalysts are the readout from Novartis's Phase III CANOPY-1 trial (H221, front line setting) and updated results from Cantargia's Phase IIa CANFOUR trial (2021).

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	DPS (%)	Yield (%)
12/18	0.0	(91.2)	(1.38)	0.0	N/A	N/A
12/19	0.0	(110.8)	(1.56)	0.0	N/A	N/A
12/20e	0.0	(138.0)	(1.69)	0.0	N/A	N/A
12/21e	0.0	(138.5)	(1.52)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

The CANOPY-2 (n=237) trial investigates canakinumab in patients with non-small cell lung cancer (NSCLC), who progressed while on or after previous platinum-based chemotherapy and PD-(L)1 inhibitor immunotherapy. These are heavily pre-treated, second- or third-line patients. Cantargia's CAN04 trial is enrolling either front line NSCLC patients receiving cisplatin/gemcitabine or second line after relapse post checkpoint inhibitor therapy. So, the CANFOUR trial is evaluating CAN04 in an earlier stage setting. The Novartis trial in focus now is the Phase III CANOPY-1 study in first-line NSCLC which investigates canakinumab as part of a triple combination with anti-PD-1 pembrolizumab and chemotherapy. Results are expected in H221 and could more clearly define the potential positioning of the synergistic properties of an anti-IL1 therapy across different stages.

Cantargia's Phase IIa CANFOUR trial also has an arm with pancreatic cancer and a Phase Ib trial investigating CAN04 in combination with pembrolizumab across a range of solid tumours in the US. So, Cantargia will deliver much more data beyond NSCLC. The final analysis from this trial is expected during 2021, which could demonstrate the potential benefits of CAN04's differentiated mechanism. Recall, Novartis's canakinumab targets IL-1beta, while CAN04 targets the downstream IL-1RAP, which means CAN04 blocks signalling from both IL-1beta and IL-1alpha, potentially allowing for more comprehensive IL-1 pathway signalling control. Because of these differences, CAN04's late-stage development will be based on the data from the CANFOUR trial. Novartis's CANOPY studies will provide valuable information of how to position CAN04, but does not invalidate the IL-1 axis theory in cancer. Cantargia has a solid cash position of SEK903m as of end-Q420. We maintain our forecasts and valuation (last published SEK5.93bn or SEK65.1/sh).

10 March 2021

Price	**SEK39.1**
Market cap	**SEK3.92bn**
Net cash (NOKm) as at end Q420	903.3
Shares in issue	100.2m
Free float	90%
Code	CANT
Primary exchange	Nasdaq Stockholm
Secondary exchange	N/A

Share price performance

Business description

Cantargia is a clinical-stage biotechnology company based in Sweden, established in 2009 and listed on the Nasdaq Stockholm main market. It is developing two assets against IL1RAP, CAN04 and CAN10. CAN04 is being studied in a Phase IIa clinical trial, CANFOUR, in solid tumours focusing on NSCLC and pancreatic cancer.

Analysts

Dr Jonas Peciulis +44 (0)20 3077 5728

Dr Sean Conroy +44 (0)20 3077 5700

jpeciulis@edisongroup.com

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia