

Cantargia

H122 update

A positive H122 supports clinical activity

The interim clinical data in non-small cell lung cancer (NSCLC) and pancreatic duct adenocarcinoma cancer (PDAC) (presented at ASCO 2022) is encouraging, in our view, and Cantargia's nadunolimab (CAN04) development programme appears to be on track. In H122, the company increased R&D spend to SEK207.1m, from SEK150.1m in H121, as patient enrolment continued in five separate clinical trials. An estimated cash and short-term investments position of SEK575.2m (including the recent [rights issue](#)) is anticipated to fund operations into H124, past key readouts from a large portion of the development pipeline. We value Cantargia at SEK7.35bn or SEK44.0 per share compared to SEK6.02bn or SEK60.1 per share previously. The absolute value uplift comes from improved FX, higher net cash and adjustments as we roll our model forward, while our per share figures now include the c 67m new shares from the rights issue.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/20	0.0	(173.1)	(1.94)	0.0	N/A	N/A
12/21	0.0	(370.3)	(3.70)	0.0	N/A	N/A
12/22e	0.0	(393.8)	(2.95)	0.0	N/A	N/A
12/23e	0.0	(367.5)	(2.20)	0.0	N/A	N/A

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

ASCO data supports development

Cantargia reported encouraging results for its IL1RAP antibody, nadunolimab, from a Phase IIa trial in NSCLC (CANFOUR) and a Phase I/IIa trial in first-line PDAC (CANFOUR), at ASCO 2022. In this, nadunolimab demonstrated [notable improvements over historical response and survival rates](#) in both indications. While these data are interim and were interpreted in comparison to historical results (which must be done with care), we see this as important support for clinical development.

Rights issue extends cash runway

With an estimated cash and short-term investment position of SEK575.2m at end-August 2022 and a H122 burn rate of SEK215.9m, we estimate Cantargia is funded into H124. Our runway considers our updated expense forecasts in light of H122 results. In a turbulent market we see Cantargia's cash runway as a considerable positive as it affords the company significant flexibility in future development plans, in our view.

Valuation: SEK7.35bn or SEK44.0 per share

Based on a risk-adjusted NPV calculation for CAN04 in NSCLC and PDAC, we value Cantargia at SEK7.35bn or SEK44.0 per share, up from SEK6.02bn or SEK60.1 per share, previously. This largely reflects updated exchange rates and our estimated net cash and short-term investment position of SEK575.2m (including SEK225m from the rights issue). Our per share calculations incorporate the post-rights issue share count of 167.0m versus 100.2m previously.

Pharma and biotech

31 August 2022
Price **SEK4.39**
Market cap **SEK733m**

SEK/US\$ 10.67

Estimated net cash and short-term investments at end-August 2022 (SEKm) 575.2

Shares in issue 167.0m

Free float 99%

Code CANT

Primary exchange Nasdaq Nordic

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (25.3) (71.9) (80.1)

Rel (local) (19.9) (69.1) (74.1)

52-week high/low SEK22.97 SEK4.13

Business description

Cantargia is a clinical-stage biotechnology company based in Sweden. It is developing two assets against IL1RAP, CAN04 and CAN10. CAN04 is being studied in several solid tumours with a main focus on NSCLC and pancreatic cancer. The most advanced trial is in Phase II.

Next events

PanCAN PDAC Phase III study begins 2023

NSCLC Phase III study begins 2023

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Valuation

We value Cantargia at SEK7.35bn, or SEK44.0 per share, compared to SEK6.02bn, or SEK60.1 per share, previously. Our valuation is based on a risk-adjusted NPV calculation for nadunolimab in NSCLC (rNPV SEK3.28bn or SEK19.6 per share) and PDAC (rNPV SEK3.51bn or SEK21.0 per share) and reflects an estimated net cash and short-term investment position of SEK575.2m, including SEK225m from the rights issue post-H122. Key assumptions are summarised in Exhibit 1.

Exhibit 1: Cantargia valuation breakdown

Product	Launch	Peak Sales (\$m)	NPV (SEKm)	NPV/share (SEK)	Probability	rNPV (SEKm)	rNPV/share (SEK)
CAN04 - NSCLC	2026	2,900	11,356.8	68.0	25.0%	3,267.6	19.6
CAN04 - Pancreatic Cancer	2027	1,988	7,981.8	47.8	40.0%	3,509.1	21.0
Estimated Net Cash (including rights issue capital)			575.2	3.4	100%	575.2	3.4
Valuation			19,913.8	119.3		7,351.9	44.0

Source: Edison Investment Research

The increase in the absolute valuation is largely due to the increase in the foreign exchange rate and adjustment to cash as we roll our model forward four months. Our valuation incorporates the following rates, 1 EUR/US\$ (previously 1.18 EUR/US\$) and 10.67 SEK/US\$ (previously 8.46 SEK/US\$), which have raised our rNPV for both NSCLC and PDAC. These estimates are offset slightly by the anticipated increase in R&D expenses, in line with H122 results. Our per share calculation incorporates the higher post-rights issue share count of 167.0m versus 100.2m, previously. Our remaining underlying assumptions are unchanged.

Financials

As expected, Cantargia reported no revenues in H122. The company's R&D-related expenses for the period amounted to SEK207.1m, 38% higher than H121 (SEK150.1m), as continued positive data for CAN04 have supported a ramp-up in clinical activities. In total, operating expenses in H122 came to SEK217.6m, contributing to a cash outflow from operations of SEK215.9m over the period. Considering the H122 results, we have increased our total operating expense estimate for FY22 to SEK393.8m from SEK368.5m previously (Exhibit 2). In FY23 we expect R&D-related expenses for decrease from FY22 as some clinical trials in the CAN04 development programme end.

The company reported a cash and short-term investment position of SEK350.2m (SEK114.1m cash, SEK236.1m short-term investments) at the end of June 2022. Including funds raised through the rights issue in August 2022 of SEK225m (as communicated by management) and with a H122 cash burn rate of SEK215.9m, we estimate this will fund the company's operations into H124. We note that any delays in clinical trials of larger-than-expected expenses could shorten our runway estimate.

Exhibit 2: Financial summary

	SEK'000s	2019	2020	2021	2022e	2023e
December						
PROFIT & LOSS						
Revenue		0	0	0	0	0
Cost of Sales		0	0	0	0	0
Gross Profit		0	0	0	0	0
Research and development		(97,477)	(158,396)	(352,709)	(372,712)	(350,000)
EBITDA		(111,577)	(170,697)	(366,821)	(390,358)	(364,024)
Operating Profit (before amort. and excepts.)		(111,589)	(173,945)	(370,267)	(393,804)	(367,470)
Intangible Amortisation		0	0	0	0	0
Exceptionals		0	0	0	0	0
Other		0	0	0	0	0
Operating Profit		(111,589)	(173,945)	(370,267)	(393,804)	(367,470)
Net Interest		780	860	0	0	0
Profit Before Tax (norm)		(110,809)	(173,085)	(370,267)	(393,804)	(367,470)
Profit Before Tax (reported)		(110,809)	(173,085)	(370,267)	(393,804)	(367,470)
Tax		0	0	0	0	0
Profit After Tax (norm)		(110,809)	(173,085)	(370,267)	(393,804)	(367,470)
Profit After Tax (reported)		(110,809)	(173,085)	(370,267)	(393,804)	(367,470)
Average Number of Shares Outstanding (m)		71.1	89.4	100.2	133.6	167.0
EPS - normalised (ore)		(155.74)	(193.65)	(369.55)	(294.78)	(220.06)
Dividend per share (ore)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		6,868	12,622	9,556	9,556	9,556
Intangible Assets		0	7,360	6,459	6,459	6,459
Tangible Assets		6,868	5,262	3,097	3,097	3,097
Investments		0	0	0	0	0
Current Assets		159,189	912,892	590,687	432,931	74,001
Stocks		0	0	0	0	0
Debtors		0	0	0	0	0
Cash		39,870	693,354	247,322	160,196	37,400
Other*		119,319	219,538	343,365	272,735	36,601
Current Liabilities		(23,785)	(30,469)	(66,607)	(69,116)	(69,116)
Creditors		(23,785)	(30,469)	(66,607)	(69,116)	(69,116)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		0	(3,111)	(892)	(892)	(892)
Long term borrowings		0	0	0	0	0
Other long term liabilities		0	(3,111)	(892)	(892)	(892)
Net Assets		142,272	891,934	532,744	372,479	13,549
CASH FLOW						
Operating Cash Flow		(111,852)	(156,887)	(347,370)	(388,054)	(358,929)
Net Interest		597	500	924	0	0
Tax		0	0	0	0	0
Capex		(6,880)	(890)	0	0	0
Acquisitions/disposals		0	0	0	0	0
Financing		98,037	917,545	0	224,680	(317)
Net (Purchase)/Sale of short-term investments		(16,560)	(106,784)	(99,586)	76,247	236,451
Dividends		0	0	0	0	0
Net Cash Flow		(36,658)	653,484	(446,032)	(87,126)	(122,795)
Opening net debt/(cash)		(76,528)	(39,870)	(693,354)	(247,322)	(160,196)
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		(39,870)	(693,354)	(247,322)	(160,196)	(37,400)

Source: Cantargia company accounts and Edison Investment Research. *Includes short-term investments.

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