

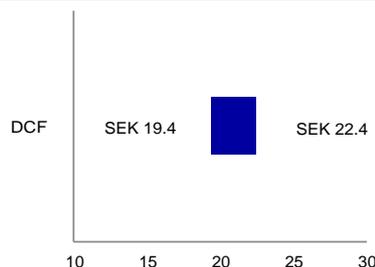
KEY DATA

Stock country	Sweden
Bloomberg	CANTA SS
Reuters	CANTA.ST
Share price (close)	SEK 15.96
Free Float	78%
Market cap. (bn)	EUR 0.10/SEK 1.06
Website	http://cantargia.com/
Next report date	15 Nov 2019

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2019E	2020E	2021E
Sales	n.a.	0%	n.a.
EBIT (adj)	3%	0%	-1%

Source: Nordea estimates

Nordea Markets - Analysts

Klas Pyk
Analyst

Clinical results will come earlier than expected

Inclusion in the monotherapy arm of the CANFOUR study has progressed positively and has now reached full recruitment, meaning that results are now expected in Q4 2019 (previously early 2020), according to the company. In our view, the results from the monotherapy arm alongside results from the combination studies (still expected in early 2020) will act as the next valuation trigger for the share. Costs also developed better than anticipated in Q2. Given its strong cash position, we believe Cantargia is well equipped to finance operations until early 2021E.

Monotherapy results expected in Q4 2019

In July, Cantargia announced that it has completed recruitment for the monotherapy arm of its CANFOUR phase IIa study, meaning that the results are now expected to be presented in Q4 2019 (previously early 2020). Monotherapy is one of three arms included in CANFOUR; the other two are combination therapies. In accordance with the company's previous guidance, results from the combination therapy studies are still expected in early 2020, and we believe that the upcoming clinical results will act as the next valuation trigger for the share. Given a positive outcome, we also find a partnership deal likely. The strong interest witnessed at Cantargia's presentation at the recent ASCO (American Society of Oncology) conference supports this view.

Better-than-anticipated cost development in Q2

In Q2, Cantargia posted an operating loss of SEK of 25.2m, compared with SEK 28.6m during the same period last year and our estimate at SEK 29.4m. We attribute the difference to lower-than anticipated development costs. At the end of the period, Cantargia reported cash and short-term investments totalling SEK 219m. Given its current cash burn, Cantargia seems well-equipped to finance its operations until early 2021E.

Estimate changes

We lower our cost estimates slightly following the Q2 report, in turn increasing 2019E EBIT by 3%. We expect that the upcoming clinical trials, expected in Q4 2019 and early 2020, alongside a potential partnership deal, will act as the next valuation trigger for the share. We maintain our DCF-based valuation range of SEK 19.4-22.4 per share.

SUMMARY TABLE - KEY FIGURES

SEKm	2015	2016	2017	2018	2019E	2020E	2021E
Total revenue	0	0	0	0	0	582	0
EBITDA (adj)	-17	-48	-60	-93	-102	510	-74
EBIT (adj)	-17	-48	-60	-93	-102	510	-74
EBIT (adj) margin	n.m.	n.m.	n.m.	n.m.	n.m.	87.6%	n.m.
EPS (adj)	-1.27	-2.27	-1.28	-1.38	-1.38	7.03	-0.88
EPS (adj) growth	-15.5%	-78.4%	43.5%	-7.3%	-0.1%	610.0%	-112.5%
DPS (ord)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	n.a.	n.a.	n.m.	n.m.	n.m.	0.9	n.m.
EV/EBIT (adj)	n.a.	n.a.	n.m.	n.m.	n.m.	1.0	n.m.
P/E (adj)	n.a.	n.a.	n.m.	n.m.	n.m.	2.3	n.m.
P/BV	n.a.	n.a.	1.2	6.1	7.6	1.7	1.9
Dividend yield (ord)	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	n.a.	n.a.	-13.7%	-11.1%	-9.7%	41.6%	-3.0%
Net debt	-25	-35	-270	-167	-154	-637	-601
Net debt/EBITDA	1.4	0.7	4.5	1.8	1.5	-1.2	8.2
ROIC after tax	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Company data and Nordea estimates

Quarterly review

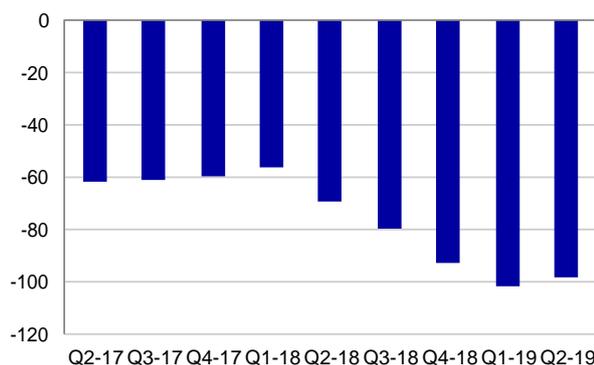
Cantargia's Q2 report was largely uneventful. The operating loss for the quarter was slightly lower than expected, coming in at SEK 25.2m versus our estimate of SEK 29.4m, mostly driven by lower-than-expected project development costs (SEK 17m versus our estimate of SEK 22.5m). On the back of the report, we model slightly lower costs for 2019E, implying a 3% increase in our EBIT estimates. In our view, the upcoming clinical results from the ongoing CANFOUR study will represent the next valuation trigger for the share, alongside a potential partnership deal.

Slightly lower than expected operating loss

Cantargia posted a Q2 operating loss of SEK 25.2m (SEK 28.6m in Q2 2018), slightly better than our estimate of SEK 29.4m. The deviation to our estimates is mainly attributed to lower-than-anticipated R&D spending.

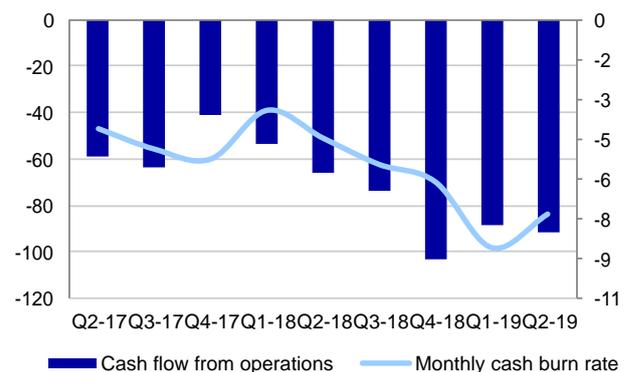
The last-twelve-months' (LTM) operating loss is around SEK 98m. Operating expenses have steadily been increasing y/y over recent quarters as a consequence of the intensified R&D activities. Q2 2019, however, marks the first quarter with a slightly lower y/y operating loss. Ph IIa of the CANFOUR study will run during 2019, and we expect full-year opex for the company to be SEK 102m (previous estimate SEK 105m), versus SEK 93m in 2018. At the end of Q2, Cantargia reported a cash position of SEK 219m and we expect operations to be financed until early 2021E.

OPERATING INCOME - ROLLING 12M, SEKm



Source: Company data and Nordea

CASH FLOW FROM OPERATIONS - ROLLING 12M, SEKm



Source: Company data and Nordea

Monotherapy arm of the CANFOUR trial fully recruited with first results expected in Q4 2019

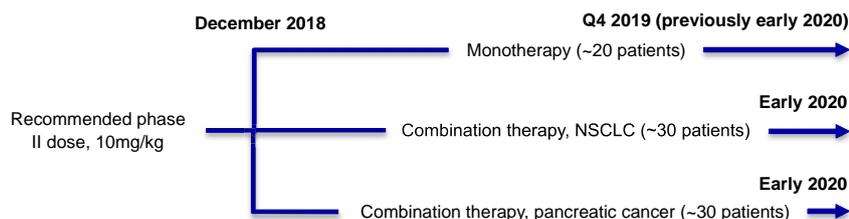
Full recruitment of CAN04 monotherapy arm

On 4 July, Cantargia announced that the company has completed recruitment for the monotherapy arm of its ongoing ph IIa clinical trial (the CANFOUR trial) for CAN04. The recruitment has gone faster than the company previously anticipated, meaning that the read out is expected to be ready by Q4 2019 (previous guidance was early 2020).

The monotherapy part is one of three arms in the CANFOUR study. In addition to monotherapy, CANFOUR includes two arms where the safety and efficacy of CAN04 in combination with two different standard chemotherapy regimens in patients with NSCLC (non-small cell lung cancer) or PDAC (pancreatic cancer) is evaluated.

The study is designed for 20 patients in the monotherapy arm (now fully recruited) and approximately 30 patients in each combination arm (still recruiting). The results from the combination arms are expected in early 2020.

CANFOUR TRIAL DESIGN



Source: Company data and Nordea

As a result of the faster-than-expected recruitment in the monotherapy arm, Cantargia now plans to recruit an additional 12 patients in order to investigate safety and biomarkers at a higher dose level of 15 mg/kg versus the current phase II dose of 10 mg/kg. According to the company, documentation of safety at higher dose levels used in phase II proves long-term advantages, eg regarding safety margins.

Valuation and estimate revisions

In our view, the upcoming clinical results (expected in Q4 2019 and early 2020) represent the next valuation trigger for the share, alongside a potential partnership deal. Our view on a potential partnership deal is supported by the recent international attention Cantargia has received, most notably at the ASCO conference in April. We lower our cost estimates slightly following the Q2 report, in turn increasing our 2019E EBIT by 3%, and we reiterate our DCF-based valuation range of SEK 19.4-22.4.

Detailed estimates

CANTARGIA - P&L QUARTERLY AND ANNUAL ESTIMATES											
SEKm	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019E	Q4 2019E	2018	2019E	2020E
Sales	0.0	0.0	0.0	0.0	582.0						
growth (%)	n.m.	n.m.	n.m.	n.m.	n.m.						
EBITDA	-15.2	-28.6	-21.4	-28.1	-23.7	-25.2	-26.9	-26.3	-93.3	-102.1	509.7
margin (%)	n.m.	n.m.	n.m.	n.m.	0.9						
EBIT	-15.2	-28.6	-21.4	-28.1	-23.7	-25.2	-26.9	-26.3	-93.3	-102.1	509.7
margin (%)	n.m.	n.m.	n.m.	n.m.	0.9						
Net financials	1.6	0.4	0.0	0.2	0.1	0.2	0.4	0.9	2.1	1.7	2.3
EBT	-13.7	-28.1	-21.5	-27.9	-23.5	-25.0	-26.5	-25.4	-91.2	-100.4	512.0
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	-13.7	-28.1	-21.5	-27.9	-23.5	-25.0	-26.5	-25.4	-91.2	-100.4	512.0

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Net revenue	n.a.	n.a.	0	0	0	0	0	0	0	582	0
Revenue growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-100.0%
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	-8	-8	-17	-48	-60	-93	-102	510	-74
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	-8	-8	-17	-48	-60	-93	-102	510	-74
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	n.a.	n.a.	-8	-8	-17	-48	-60	-93	-102	510	-74
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	2	2	2	10
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	-8	-8	-17	-47	-60	-91	-100	512	-64
Reported taxes	0	0	0	0	0	0	0	0	0	0	0
Net profit from continued operations	0	0	-8	-8	-17	-47	-60	-91	-100	512	-64
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	-8	-8	-17	-47	-60	-91	-100	512	-64
EPS	n.a.	n.a.	-1.25	-1.10	-1.27	-2.27	-1.28	-1.38	-1.38	7.03	-0.88
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.m.	87.6%	n.m.						
EBITA	n.a.	n.a.	n.m.	87.6%	n.m.						
EBIT	n.a.	n.a.	n.m.	87.6%	n.m.						

Adjusted earnings

EBITDA (adj)	0	0	-8	-8	-17	-48	-60	-93	-102	510	-74
EBITA (adj)	0	0	-8	-8	-17	-48	-60	-93	-102	510	-74
EBIT (adj)	0	0	-8	-8	-17	-48	-60	-93	-102	510	-74
EPS (adj)	n.a.	n.a.	-1.25	-1.10	-1.27	-2.27	-1.28	-1.38	-1.38	7.03	-0.88

Adjusted profit margins in percent

EBITDA (adj)	n.a.	n.a.	n.m.	87.6%	n.m.						
EBITA (adj)	n.a.	n.a.	n.m.	87.6%	n.m.						
EBIT (adj)	n.a.	n.a.	n.m.	87.6%	n.m.						

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.m.	n.m.	n.m.	n.m.						
EBITDA	n.m.	n.m.									
EBIT	n.a.	n.m.	n.m.	n.m.	n.m.						
EPS	n.a.	n.m.	n.m.	n.m.	n.m.						
DPS	n.m.	n.m.									
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	35.5%	31.0%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	35.5%	31.0%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	2.3	n.m.
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.0	n.m.
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.0	n.m.
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.0	n.m.

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	2.3	n.m.
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	0.90	n.m.
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.0	n.m.
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.0	n.m.
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	1.0	n.m.
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-13.7%	-11.1%	-9.7%	41.6%	-3.0%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-13.7%	-11.1%	-9.7%	41.6%	-3.0%
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	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Intangible assets	0	1	2	2	0	0	0	0	0	0	0
of which R&D	0	1	2	2	0	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
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	0	0	2	3	3	3	0	0	0
Total non-current assets	0	1	2	3	2	3	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	87	0
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	0	0	1	1	1	2	2	2	0	29	0
Cash and bank	0	3	1	17	25	35	270	167	154	637	601
Total current assets	0	3	2	17	25	37	271	168	154	753	601
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total assets	0	4	4	20	27	40	274	171	154	753	601
Shareholders equity	0	3	3	4	24	30	246	155	154	666	601
Of which preferred stocks	0	0	0	0	0	0	0	0	99	99	99
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	3	3	4	24	30	246	155	154	666	601
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
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	0	0	0	0
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	0	1	1	2	7	21	9	0	58	0
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	0	0	15	1	2	8	7	0	29	0
Short term interest bearing debt	0	0	0	0	0	0	0	0	0	0	0
Total current liabilities	0	1	1	16	3	10	28	16	0	87	0
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	0	4	4	20	27	40	274	171	154	753	601
Balance sheet and debt metrics											
Net debt	0	-3	-1	-17	-25	-35	-270	-167	-154	-637	-601
of which lease debt	0	0	0	0	0	0	0	0	0	0	0
Working capital	0	0	0	-15	-2	-7	-27	-15	0	29	0
Invested capital	0	0	2	-13	-1	-5	-24	-12	0	29	0
Capital employed	0	3	3	4	24	30	246	155	154	666	601
ROE	n.m.	0.0%	n.m.	n.m.	n.m.	n.m.	-43.6%	-45.4%	-65.0%	n.m.	-10.1%
ROIC	n.m.	0.0%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
ROCE	n.a.	n.a.	n.m.	n.m.	-71.6%	n.m.	-24.4%	-60.2%	-66.4%	76.6%	-12.3%
Net debt/EBITDA	n.m.	n.m.	0.2	2.1	1.4	0.7	4.5	1.8	1.5	-1.2	8.2
Interest coverage	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	n.m.	81.5%	78.5%	20.4%	88.3%	75.6%	89.7%	90.4%	100.0%	88.4%	100.0%
Net gearing	n.m.	-86.2%	-47.8%	-406.6%	-103.1%	-116.0%	-109.6%	-107.6%	-100.0%	-95.6%	-100.0%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
EBITDA (adj) for associates	0	0	-8	-8	-17	-48	-60	-93	-102	510	-74
Paid taxes	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	0	0	0	0	0	2	2	10
Change in provisions	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	0	0	0	-1	-1	0	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	1	1	0	0	0	0	0
Funds from operations (FFO)	0	0	-8	-8	-17	-47	-60	-93	-97	512	-64
Change in NWC	0	0	0	15	-13	5	19	-12	-15	-29	29
Cash flow from operations (CFO)	0	0	-8	7	-30	-42	-41	-105	-112	483	-35
Capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Free cash flow before A&D	0	0	-8	7	-30	-42	-41	-105	-112	483	-35
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	-8	7	-30	-42	-41	-105	-112	483	-35
Free cash flow bef A&D, lease adj	0	0	-8	7	-30	-42	-41	-105	-112	483	-35
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	0	0	8	10	45	56	304	0	99	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	30	0	0	0
Other non-cash adjustments	0	3	-1	-1	-7	-4	-28	-28	0	0	0
Change in cash	0	3	-1	15	8	10	235	-103	-13	483	-35
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.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.0%	n.m.
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6	14	16	16	16
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	300	940	1,162	1,162	1,162
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	31	773	1,008	525	561
Diluted no. of shares, year-end (m)	0.0	0.0	6.3	7.6	13.5	20.9	46.9	66.2	72.8	72.8	72.8

Source: Company data and Nordea estimates

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