

Cantargia

Healthcare
Sweden

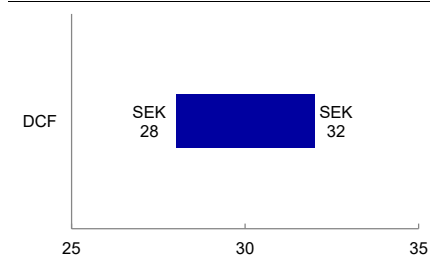
KEY DATA

Stock country	Sweden
Bloomberg	CANTA SS
Reuters	CANTA.ST
Share price (close)	SEK 4.14
Free Float	80%
Market cap. (bn)	EUR 0.04/SEK 0.41
Website	http://cantargia.com/
Next report date	10 Nov 2022

PERFORMANCE



VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	n.a.	n.a.	0%
EBIT (adj)	2%	-12%	0%

Source: Nordea estimates

Nordea Markets - Analysts

Josefine Persson
Analyst

ASCO conference was the Q2 pinnacle

Cantargia's Q2 report offered few surprises. In our view, the main highlight of the quarter was the ASCO conference, where the company revealed positive interim data for its lead candidate, CAN04. We view this as a positive addition to Cantargia's data package, which is favourable for future partnership negotiations. There is a potential negative read-across for IL-1 inhibitors in oncology due to another failed study in the Novartis CANOPY programme (this time in the adjuvant setting), but we believe that each drug targeting IL-1 biology should stand on its own merits.

Operating loss was less negative than we expected

Cantargia realised an operating loss of SEK 95m in Q2. R&D costs came in at SEK -90m (up 10% y/y). The company's cash position by the end of Q2 was SEK 350m, and a rights issue was completed after the end of the period, raising another SEK 250m.

Highlight of the quarter was the ASCO conference

The main highlight of Q2 was the presentation of interim clinical data at ASCO, the world's largest cancer congress. Cantargia revealed positive interim data related to its lead candidate nadunolimab (CAN04) in the studies CANFOUR and CIRIFOUR. We attended the event and view the highlight as the poster discussion about gastrointestinal cancers that covered the extended interim analysis in PDAC, where Cantargia showed encouraging results in a significantly larger sample group than in the last interim readout. Overall, we believe the interim results from ASCO were a positive addition to Cantargia's data package, which should be favourable when negotiating partnerships.

Potential negative read-across from Novartis CANOPY-A trial

During Q2, Novartis conducted a ph III trial investigating canakinumab (IL-1 β inhibitor) in NSCLC in the adjuvant setting. The program had previously failed in the metastatic setting with CANOPY-1 and -2. One trial remains, called CANOPY-N, which will investigate canakinumab in the neoadjuvant setting. We look forward to seeing the full dataset for CANOPY-A at ESMO on 9-13 September.

We make no estimate revisions following the report

We add the Q2 numbers to our model but make no other revisions to our estimates, thus we reiterate our DCF-based valuation range of SEK 28-32.

SUMMARY TABLE - KEY FIGURES

SEKm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	0	0	0	0	0	0	220
EBITDA (adj)	-93	-112	-174	-370	-396	-85	201
EBIT (adj)	-93	-112	-174	-370	-396	-85	201
EBIT (adj) margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	91.2%
EPS (adj, SEK)	-1.38	-1.52	-1.93	-3.66	-2.98	-0.64	1.58
EPS (adj) growth	-7.3%	-10.5%	-26.5%	-89.9%	18.6%	78.6%	347.6%
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.	0.5
EV/EBIT (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.5
P/E (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	2.6
P/BV	6.1	10.3	7.2	3.5	1.8	2.5	1.3
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	-11.1%	-7.6%	-2.4%	-21.0%	-76.8%	-15.4%	38.2%
Net debt	-167	-150	-903	-903	-217	-153	-312
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-1.6
ROIC after tax	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Company data and Nordea estimates

Valuation

We make no changes to our estimates and reiterate our DCF-derived fair value range of SEK 28-32, based on a WACC of 10-12%.

SALES GROWTH VS EBIT MARGIN (%)

		Sales growth change				
		-7.0pp	-3.5pp		+3.5pp	+7.0pp
EBIT margin change	+6.0pp	29.1	29.7	30.4	31.2	32.2
	+3.0pp	28.9	29.5	30.1	30.9	31.8
		28.7	29.2	29.9	30.6	31.5
	-3.0pp	28.5	29.0	29.6	30.3	31.1
	-6.0pp	28.3	28.8	29.3	30.0	30.8

Source: Company data and Nordea estimates

WACC VS SALES GROWTH (%)

		WACC				
		9.5%	10.0%	10.5%	11.0%	11.5%
Sales growth change	+7.0pp	34.0	32.7	31.5	30.3	29.2
	+3.5pp	33.0	31.8	30.6	29.5	28.5
		32.1	31.0	29.9	28.8	27.9
	-3.5pp	31.4	30.3	29.2	28.2	27.3
	-7.0pp	30.7	29.7	28.7	27.7	26.8

Source: Company data and Nordea estimates

WACC VS EBIT MARGIN (%)

		WACC				
		9.5%	10.0%	10.5%	11.0%	11.5%
EBIT margin change	+6.0pp	32.7	31.5	30.4	29.3	28.3
	+3.0pp	32.4	31.2	30.1	29.1	28.1
		32.1	31.0	29.9	28.8	27.9
	-3.0pp	31.8	30.7	29.6	28.6	27.6
	-6.0pp	31.5	30.4	29.3	28.4	27.4

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	0	0	0	0	0	0	0	0	0	0	220
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	-17	-45	-60	-93	-112	-174	-370	-396	-85	201
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	-17	-45	-60	-93	-112	-174	-370	-396	-85	201
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	0	-17	-45	-60	-93	-112	-174	-370	-396	-85	201
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	2	1	2	4	14	3	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	-17	-45	-60	-91	-111	-172	-367	-383	-82	203
Reported taxes	0	0	0	0	0	0	0	0	84	18	-45
Net profit from continued operations	0	-17	-45	-60	-91	-111	-172	-367	-298	-64	158
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	-17	-45	-60	-91	-111	-172	-367	-298	-64	158
EPS, SEK	n.a.	-1.28	-2.14	-1.28	-1.38	-1.52	-1.93	-3.66	-2.98	-0.64	1.58
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.	91.2%
EBITA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	91.2%
EBIT	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	91.2%

Adjusted earnings

EBITDA (adj)	0	-17	-45	-60	-93	-112	-174	-370	-396	-85	201
EBITA (adj)	0	-17	-45	-60	-93	-112	-174	-370	-396	-85	201
EBIT (adj)	0	-17	-45	-60	-93	-112	-174	-370	-396	-85	201
EPS (adj, SEK)	n.a.	-1.28	-2.14	-1.28	-1.38	-1.52	-1.93	-3.66	-2.98	-0.64	1.58

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.	91.2%
EBITA (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	91.2%
EBIT (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	91.2%

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.m.	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.	n.m.
Average EBITDA margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
P/E (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	2.6
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.5
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.5
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.5

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
P/E	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	2.6
EV/Sales	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.47
EV/EBITDA	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.5
EV/EBITA	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.5
EV/EBIT	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.5
Dividend yield (ord.)	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	n.a.	n.a.	n.a.	-13.7%	-11.1%	-7.9%	-2.6%	-21.5%	-76.8%	-15.4%	38.2%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	-13.7%	-11.1%	-7.6%	-2.4%	-21.0%	-76.8%	-15.4%	38.2%
Payout ratio	n.a.	0.0%	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	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Intangible assets	2	0	0	0	0	0	7	7	7	7	7
of which R&D	2	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	0	0	7	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	7	5	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	2	3	3	3	0	0	0	0	0	0
Total non-current assets	3	2	3	3	3	7	13	13	13	13	13
Inventory	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	1	3	0	0	0	33
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	1	1	2	2	2	8	7	0	0	0	33
Cash and bank	17	25	35	270	167	150	903	903	217	153	312
Total current assets	17	25	37	271	168	159	913	903	217	153	378
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total assets	20	27	40	274	171	166	926	916	230	166	390
Shareholders equity	4	24	30	246	155	142	892	528	230	166	324
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	4	24	30	246	155	142	892	528	230	166	324
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	3	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	3	0	0	0	0
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	1	2	7	21	9	13	11	0	0	0	33
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	15	1	2	8	7	11	20	20	0	0	33
Short term interest bearing debt	0	0	0	0	0	0	0	0	0	0	0
Total current liabilities	16	3	10	28	16	24	30	20	0	0	66
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	20	27	40	274	171	166	926	548	230	166	390
Balance sheet and debt metrics											
Net debt	-17	-25	-35	-270	-167	-150	-903	-903	-217	-153	-312
of which lease debt	0	0	0	0	0	0	0	0	0	0	0
Working capital	-15	-2	-7	-27	-15	-14	-21	-20	0	0	0
Invested capital	-13	-1	-5	-24	-12	-8	-8	-7	13	13	13
Capital employed	4	24	30	246	155	142	892	528	230	166	324
ROE	0.0%	n.m.	n.m.	-43.6%	-45.4%	-74.5%	-33.3%	-51.6%	-78.7%	-32.3%	64.6%
ROIC	0.0%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
ROCE	0.0%	n.m.	n.m.	-43.4%	-45.4%	-74.5%	-33.3%	-51.6%	n.m.	-41.4%	82.8%
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-1.6
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	20.4%	88.3%	75.6%	89.7%	90.4%	85.7%	96.4%	96.4%	100.0%	99.9%	83.1%
Net gearing	-406.6%	-103.1%	-116.0%	-109.6%	-107.6%	-105.4%	-101.3%	-171.0%	-94.6%	-92.5%	-96.1%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
EBITDA (adj) for associates	0	-17	-45	-60	-93	-112	-174	-370	-396	-85	201
Paid taxes	0	0	0	0	0	0	0	0	84	18	-45
Net financials	0	0	0	0	0	1	-1	3	14	3	2
Change in provisions	0	0	0	0	0	0	3	-3	0	0	0
Change in other LT non-IB	0	-1	-1	0	0	3	0	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	1	-2	0	0	-3	8	4	0	0	0
Funds from operations (FFO)	-8	-17	-47	-60	-93	-111	-163	-367	-298	-64	158
Change in NWC	15	-13	5	19	-12	0	6	-21	-20	0	0
Cash flow from operations (CFO)	7	-30	-42	-41	-105	-111	-156	-388	-318	-64	158
Capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Free cash flow before A&D	7	-30	-42	-41	-105	-111	-156	-388	-318	-64	158
Proceeds from sale of assets	0	0	0	0	0	3	0	0	0	0	0
Acquisitions	0	0	0	0	0	-7	-9	-9	0	0	0
Free cash flow	7	-30	-42	-41	-105	-115	-165	-397	-318	-64	158
Free cash flow bef A&D, lease adj	7	-30	-42	-41	-105	-111	-156	-388	-318	-64	158
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	10	45	56	304	0	98	919	0	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	30	0	0	0	-368	0	0
Other non-cash adjustments	-1	-7	-4	-28	-28	0	0	397	0	0	0
Change in cash	15	8	10	235	-103	-17	753	0	-686	-64	158
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.	6	14	20	64	18	4	4	4
Market cap.	n.a.	n.a.	n.a.	300	940	1,467	6,412	1,850	414	414	414
Enterprise value	n.a.	n.a.	n.a.	31	773	1,317	5,509	946	197	261	103
Diluted no. of shares, year-end (m)	0.0	13.5	20.9	46.9	66.2	72.8	100.2	100.2	100.2	100.2	100.2

Source: Company data and Nordea estimates

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