Cantargia Q4 2022: Progress in Triple-Negative Breast Cancer

Cantargia **Research Update** 2023-02-24 07:00 **Updated** 2023-02-24 07:07

In the fourth quarter, Cantargia continued with its ongoing programs and strategy. The share price reached a historical low but has begun to recuperate since early January 2023. In February, after the end of Q4, solid efficacy results were presented from the phase I part of TRIFOUR in triple-negative breast cancer.

Richard Ramanius

TRIFOUR

On February 23, the first efficacy results from TRIFOUR were presented. Out of twelve patients evaluated, one had a complete response and five a partial response for an objective response rate (ORR) of 50%. Furthermore, four patients had stable disease, for a disease control rate of 83%. The historical control referred to by CAntargia had an ORR of 30%. The safety profile was similar to previous studies. A randomized phase II study will now follow. The results are very positive considering triple-negative breast cancer is a type that is more aggressive and more difficult to treat than other breast cancers.

CAN10 Phase I Ready

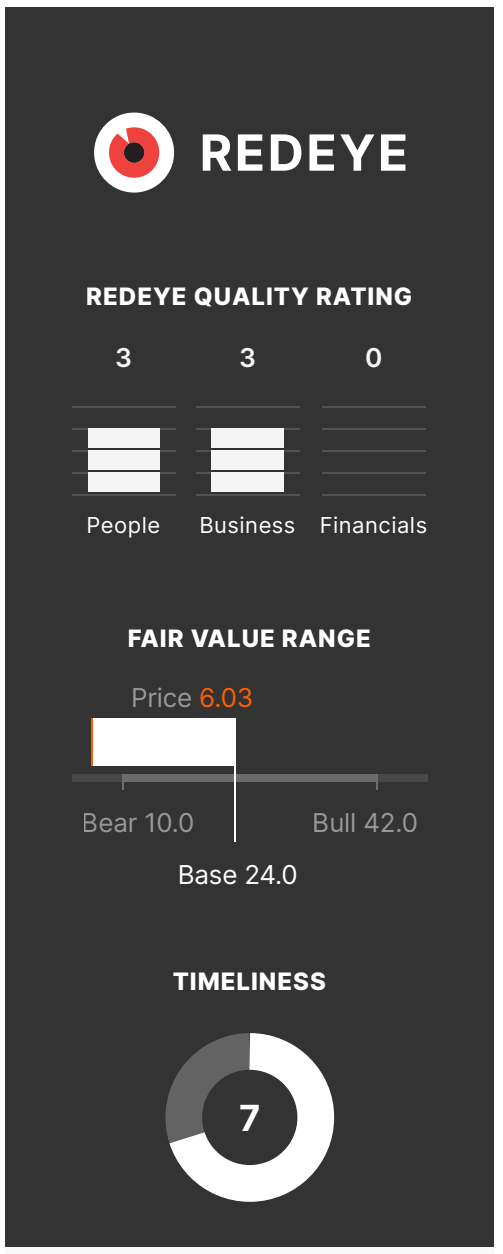
Preclinical toxicity results for CAN10, Cantargia's antibody for inflammatory diseases, were published in Q4. It was dosed at up to 50mg/kg intravenously for six weeks without negative effects. This is a considerably higher dose than what Cantargia plans to use clinically. 5 mg/kg of CAN injected subcutaneously was also tolerated. A phase I study in healthy volunteers will follow, potentially in H1 2023.

Valuation

We make some changes to our valuation, including lowering the likelihood of approval (LOA) of CIRIFOUR to 12%(14%) and of CAPAFOUR to 12% (15%), while we raise the LOA of TRIFOUR to 14% (8%) and CESTAFOUR to 9% (8%). Our new Base Case is SEK 26 (24).

Key financials

SEKm	2020	2021	2022	2023E	2024E
Revenues	-	-	-	-	925
Revenue Growth	N/A	N/A	N/A	N/A	N/A
EBITDA	(174)	(370)	(370)	(297)	703
EBIT	(171)	(370)	(370)	(297)	703
EBIT Margin	N/A	N/A	N/A	N/A	76.1%
Net Income	(170)	(367)	(360)	(297)	703
EV/Revenue	N/A	N/A	N/A	N/A	0.2
EV/EBIT	(26.0)	(2.6)	(0.3)	(3.0)	0.2



KEY STATS

Market Cap	**1.0 BSEK**
Entprs. Value (EV)	**890.1 MSEK**
Net Debt (2023e)	**-115.9 MSEK**
30 Day Avg Vol	**2666 K**
Shares Outstanding	**167.0 M**
Price / Earnings	**N/A**
PEG	**0.0**
Dividend Yield	**N/A**

Data from 2023-02-24 07:07

Redeye, Mäster Samuelsgatan 42, 10tr, Box 7141, 103 87 Stockholm. Tel. +46 8-545 013 30
E-post: info@redeye.se

Table of contents

Investment thesis

Case

Cantargia is approaching a stage when finding a partner is logical

Cantargia is sponsoring several trials in various cancer indications to pinpoint the optimal indications to target and to document the breadth of nadunolimab. If the company can demonstrate good results across these indications, it will reinforce its standing when negotiating a large licensing deal. Upcoming trial results might set the company up for a potential large licensing deal in 2024. Cantargia may also choose to continue developing nadunolimab by itself, as two fully financed randomised phase II trials, in pancreatic cancer (Precision Promise) and triple-negative breast cancer (TRIFOUR), will bring it closer towards the market. Cantargia is also planning for a larger randomised trial in lung cancer, but it is not financed or designed yet. Cantargia has a cash position that should last until mid-2024.

Evidence

Cantargia has demonstrated excellent results in CANFOUR in pancreatic and lung cancer

Patients with non-small cell lung cancer (N=30) showed a response of 53 per cent, resulting in a median progression-free survival of 6.8 months and median OS of 13.7 months. In patients with pancreatic cancer (N=73), long-term responses or pseudoprogression have been observed, resulting in a median progression-free survival of 7.2 months and a median survival of 12.7 months. These are impressive results. Furthermore, an ORR of 50% was demonstrated in the phase I part of TRIFOUR (n=12), which is 20% better than historical figures.

Challenge

The main risks for Cantargia are negative clinical outcomes...

...which we believe are somewhat unlikely in the short run thanks to the robust results reported in PDAC and NSCLC. However, Cantargia has not conducted clinical trials with a placebo group. There is a risk that the strong results obtained so far will prove less favorable in controlled conditions. This will be tested in the interim readout in TRIFOUR in Q4 2023.

Challenge

Additional funding may be needed

Cantargia's planned phase IIb trial in lung cancer would need additional funding. Otherwise, the company should be funded to mid-2024. Assuming outstanding results from the ongoing clinical trials, negotiations with a partner might start in H2 2023 and lead to a deal in H1 2024. However, it seems likely that at least some additional funding will be needed before such a deal can be concluded.

Valuation

Nadunolimab constitutes most of the value

The share collapsed following the rights issue of SEK 250m, even though it was fully subscribed, potentially catalyzed by Canakinumab's failure in lung cancer. It has been highly volatile in early 2023 but has recuperated some of its lost value. However, the market valuation is still very low in relation to the fundamental project values. The tough economic environment, which has severly influenced the biotech sector, likely contributes to this. Our Base Case of SEK 26 assumes a deal with nadunolimab in 2024, with an upfront of USD 150m, milestones of USD 850m and royalties of 17.5 percent.

Quality Rating

People: 3

Cantargia is led by an experienced and close-knit team. CEO Göran Forsberg has been involved in licensing agreements, providing critically important experience that will benefit Cantargia's future partner negotiations. We believe the board is solidly composed and includes members with different and complementary experience.

Business: 3

Pharmaceuticals is a high-margin industry in which there is clear product protection via patents for companies' projects. It is generally a non-cyclical industry. For research companies like Cantargia the situation is different, with risks associated not just with clinical development but also with the (cyclical) stock market, where capital requirements are large and often handled via new issues.

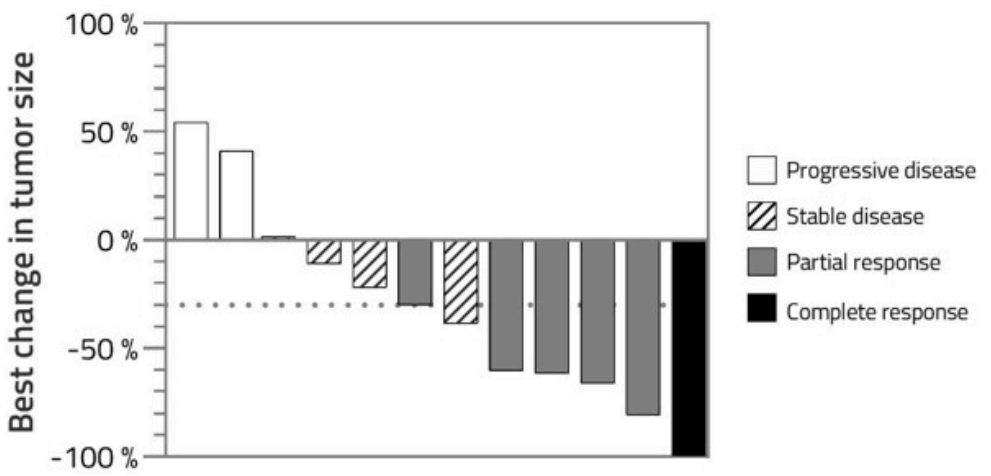
Financials: 0

Cantargia has a solid cash position that should last until mid-2024. No revenue is expected before a potential exit, such a license deal.

Discussion of the TRIFOUR results

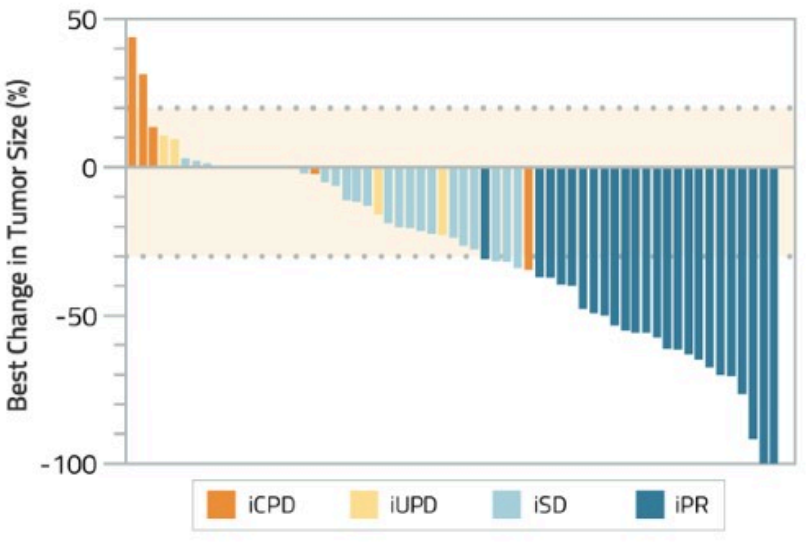
Fifteen patients have been recruited for TRIFOUR. Patients are treated with nadunolimab and gemcitabine plus carboplatin, which are chemotherapies. Twelve were available for an efficacy readout with the results mentioned above. Several doses were tested. The 2.5mg/kg dose will be used for the phase II part. The waterfall plot of change in tumour size shown below is interesting. It is quite similar to the one for nadunolimab in pancreatic cancer shown further below, which has a larger number of patients (73). Cantargia did in fact choose these cancers based on similar criteria, among other things a high expression of IL1RAP and an inflamed and immunosuppressed tumour microenvironment.

Change in tumor size (TRIFOUR, TNBC)



Source: Cantargia

Change in tumor size (CANFOUR, PDAC)



Source: Cantargia

The effects in terms of tumour shrinking are similar. Both suggest that the addition of nadunolimab to the base chemotherapy treatments led to an increased effect. Waterfall plots with chemotherapies alone in these indications are typically shifted more to the left.

Although early, the new results from TRIFOUR taken together with those in pancreatic and lung cancer suggest that nadunolimab may have synergies with certain chemotherapies across various cancer types. The results from CAPAFOUR (pancreatic cancer) and CESTAFOUR (various cancers), which also combine nadunolimab with chemotherapies, will further contribute to our understanding and add to the overall puzzle.

The historical control with an ORR of 30% that Cantargia refers to in its press release is summarized in the paper “Phase III study of iniparib plus gemcitabine and carboplatin versus gemcitabine and carboplatin in patients with metastatic triple-negative breast cancer”. Iniparib did not meet the prespecified criteria for progression-free survival and overall survival in this study. Overall survival in the gemcitabine plus carboplatin arm was 11.1 months while progression-free survival was 4.1 months. These numbers are comparable to those in metastatic pancreatic cancer treated with chemotherapy, which might explain the similarity in the waterfall diagrams. These are relevant benchmarks for the full phase I readout of TRIFOUR expected in H2 2023.

In the conference call, the changing treatment landscape of triple-negative breast cancer was discussed. Among other things, checkpoint inhibitors, PARP inhibitors and a antibody-drug conjugate are now approved. The treatment paradigm might change in the future when nadunolimab might reach the market. However, when one considers that only a minority of patients respond to all of these recently approved therapies, it seems clear to us that chemotherapy treatment will most likely remain in the future, even if used as treatment in later lines, though its market share in terms of volume might potentially decrease.

Precision Promise

There has been some delay in the planned Precision Promise trial because of new requirements under Project Optimus, which relates to dose optimization in pivotal trials. Cantargia is conducting discussions together with its partner PanCAN in order to resolve all details before submitting the approval to start the trial. It will likely result in the trial beginning with two dose levels, one of which will be selected after a certain period. The trial will likely start in H2 rather than H1 due to this, assuming that the dosing issue can be resolved through a modification of the trial design.

New treatment in PDAC - NALIRIFOX

Results from the pivotal trial NAPOLI-3 were presented at ASCO in January 2023. It is a pivotal study that compared the new regimen NALIRIFOX (liposomal irinotecan + 5-fluorouracil/ leucovorin + oxaliplatin) against the current standard treatment nab-paclitaxel + gemcitabine in metastatic pancreatic cancer (PDAC). The NALIRIFOX regimen showed superior efficacy, with a median overall survival of 11.1 months versus 9.2 months in the control group. Progression-free survival and objective response rates were also improved. The safety profile of the two treatments was described as similar in severity but different in symptoms. NALIRIFOX had more diarrhoea, nausea and hypokalaemia while nab-paclitaxel + gemcitabine had worse anaemia and neutropenia. In our opinion, the profile of NALIRIFOX seems worse for the patient. Ipsen will file for approval of the treatment with the FDA. Liposomal irinotecan (ONYVIDE) is already approved in a different combination as a second-line treatment in PDAC. While NALIRIFOX might become a new first-line treatment besides nab-paclitaxel + gemcitabine and FOLFIRINOX impacting sales of nab-paclitaxel + gemcitabine, it remains to be seen by how much, assuming approval. However, we believe that NALIRIFOX would rather compete with FOLFIRINOX than with paclitaxel + gemcitabine.

It is enlightening to compare the results with those from CANFOUR. Nadunolimab (CAN04) + nab-paclitaxel + gemcitabine has demonstrated a median overall survival of 12.7 months. This is a higher figure than that achieved with NALIRIFOX in NAPOLI-3. As a further comparison, nab-paclitaxel + gemcitabine, in its pivotal trial, demonstrated a median overall survival of 8.5 months. As always when making these comparisons, one needs to consider that patient characteristics in each trial may differ, so there will be some error if one uses them as placebo comparison groups.

Upcoming triggers

Cantargia has now decided not do interim readouts with CAPAFOUR and CESTAFOUR. It will wait for the data to mature and then present full read-outs. Whether this occurs towards the middle of 2023 or towards autumn is too early to tell. Other triggers include:

· CANFOUR: new update with more long-term data from both the pancreatic and lung-cancer arm, expected in Q2, together with new biomarker data.

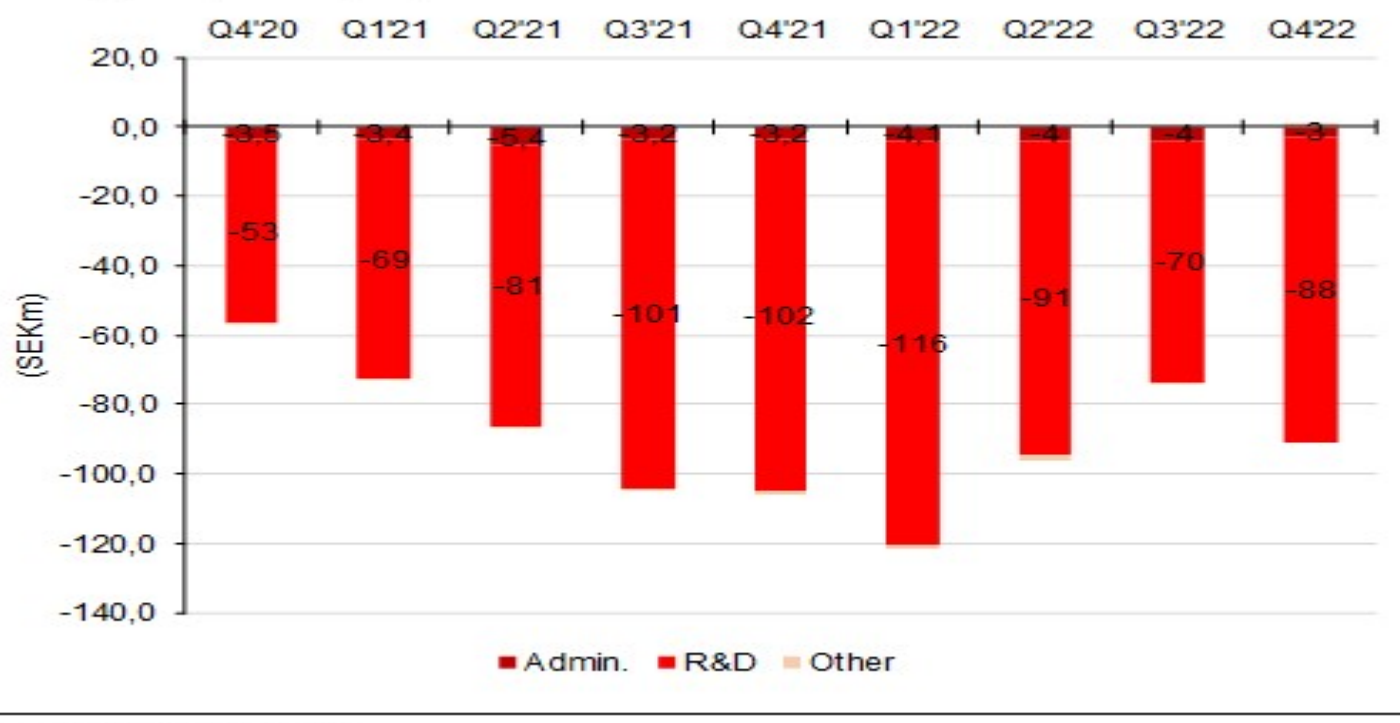
· CIRIFOUR – more complete results from the phase I trial in combination with pembrolizumab presented at ASCO, expected in H1.

· TRIFOUR – full readout from phase I in H2; interim readout from the phase IIa part of the study in Q4 2022.

Financials

Operating expenses in the fourth quarter increased sequentially to SEK91m, up from SEK74m in the third quarter. However, they have decreased compared to Q4 last year. The change in cash was SEK-69m (due to a positive effect from changes in working capital, which should reverse in the next quarter) and the cash position amounted to SEK 427m at the end of Q4. It will finance Cantargia until mid-2024.

Cantargia: Operating Expenses



Source: Redeye Research

Valuation

We have made some adjustments to our valuation assumptions. We have reduced the likelihood of approval of nadunolimab in combination with PD-1 inhibitors to 12% (14%) due to the delay and prioritisation of other indications. Similarly, we have decreased the LOA of nadunolimab in CAPAFOUR to 11% (15%) due to the de-prioritisation of the program. We increased the LOA of TRIFOUR to 14% (8%) and of CESTAFOUR to 9% (8%). We have slightly increased the peak sales of CAN10 to USD700m (USD600m). We have made some adjustments to the timing of milestone payments and increased the USD/SEK exchange rate to 10 (9.9). Combined, these changes render a new Base Case of SEK 26 (24). Our Bear Case is SEK11 while our Bull Case is SEK43.

Cantargia sum-of-the-parts valuation

Project	Clinical Trial	Combination	Indication	LOA	Phase	Royalty	Peak sales (USDm)	Launch	NPV	NPV / share
CAN04/ nadunolima	Precision Promise	Gemcitabin/nab-paclitaxel	Pancreas	36%	II	17,5%	1 500	2027		15,2
	CAPAFOUR	FOLFIRINOX	Pancreas	12%	I	17,5%	600	2028		1,8
	CANFOUR	Pemetrexed carboplatin/CS	NSCLC	16%	II	17,5%	600	2026		2,6
	CIRIFOUR	PD-1 inhibitors	NSCLC	12%	II	17,5%	1 800	2028		5,2
	TRIFOUR	Carboplatin/gemcitabin	TNBC	14%	I	17,5%	400	2027		1,3
	CESTAFOUR	Chemotherapy basket	NSCLC, Colon, Bilia	9%	I	17,5%	700	2029		1,4
									4606	28
CAN10		Monotherapy	Systemic sclerosis	11%	Precl.		700	2030	529	3,2
Overhead (incl. taxes) (SEKm)									-1 247	-7,5
EV (SEKm)									3 889	
Net cash (SEKm)									427	2,6
Total value (SEKm)									**4 315**	**26**
Equity issue (SEKm), net										
Fully diluted (SEK)										

* likelihood of approval, SEK/USD=10, CS = cisplatin+gemcitabine

Financials

Income statement

SEKm	2020	2021	2022	2023E	2024E
Revenues	-	-	-	-	925
Cost of Revenue	-	-	-	-	-
Operating Expenses	174	370	370	297	222
Exchange Rate Differences	-	-	-	-	-
EBITDA	(174)	(370)	(370)	(297)	703
Depreciation	-	-	-	-	-
Amortizations	-	-	-	-	-
EBIT	(171)	(370)	(370)	(297)	703
Shares in Associates	-	-	-	-	-
Interest Expenses	0.46	0	2	-	-
Net Financial Items	1	4	10	-	-
Non Recurring Income Expense	-	-	-	-	-
EBT	(170)	(367)	(360)	(297)	703
Income Tax Expenses	-	-	-	-	-
Net Income	(170)	(367)	(360)	(297)	703

Balance sheet

Assets

Non-current assets

SEKm	2020	2021	2022	2023E	2024E
Property, Plant and Equipment (Net)	5	3	10	10	10
Goodwill	0.02	-	-	(0)	0.04
Intangible Assets	7	6	6	6	6
Right-of-Use Assets	-	-	-	-	-
Other Non-Current Assets	-	-	-	17	-
Total Non-Current Assets	13	10	17	34	17

Current assets

SEKm	2020	2021	2022	2023E	2024E
Inventories	-	-	-	-	-
Accounts Receivable	3	5	2	-	74
Other Current Assets	7	27	33	-	19
Cash Equivalents	903	559	417	117	857
Total Current Assets	913	591	452	117	949
Total Assets	926	600	469	151	966

Equity and Liabilities

Equity

SEKm	2020	2021	2022	2023E	2024E
Non Controlling Interest	-	-	-	-	-
Shareholder's Equity	892	533	397	100	803

Non-current liabilities

SEKm	2020	2021	2022	2023E	2024E
Long Term Debt	3	-	-	-	-
Long Term Lease Liabilities	-	-	-	-	-
Other Non-Current Lease Liabilities	-	1	(2)	(2)	(2)
Total Non-Current Liabilities	3	1	(2)	(2)	(2)

Current liabilities

SEKm	2020	2021	2022	2023E	2024E
Short Term Debt	-	1	1	1	1
Short Term Lease Liabilities	-	-	-	-	0.04
Accounts Payable	11	35	38	38	111
Other Current Liabilities	20	32	45	24	63
Total Current Liabilities	30	67	84	62	174
Total Liabilities and Equity	926	600	478	160	975

Cash flow

SEKm	2020	2021	2022	2023E	2024E
Operating Cash Flow	(156)	(346)	(359)	(301)	740
Investing Cash Flow	(9)	(0)	(7)	-	-
Financing Cash Flow	919	-	224	-	-

Rating definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive longterm earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.
The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don’t understand the competitive environment and don’t have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won’t succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.
The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company’s financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.
The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

The team

MANAGEMENT


Björn Fahlén
bjorn.fahlen@redeye.se


Tomas Otterbeck
tomas.otterbeck@redeye.se

EDITORIAL


Joel Karlsson
joel.karlsson@redeye.se

TECHNOLOGY TEAM


Alexander Flening
alexander.flening@redeye.se


Anton Hoof
anton.hoof@redeye.se


Danesh Zare
danesh.zare@redeye.se


Fredrik Nilsson
fredrik.nilsson@redeye.se


Fredrik Reuterhäll
fredrik.reuterhall@redeye.se


Henrik Alveskog
henrik.alveskog@redeye.se


Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se


Jacob Svensson
jacob.svensson@redeye.se


Jesper Von Koch
jesper.vonkoch@redeye.se

Jessica Grunewald
jessica.grunewald@redeye.se


Mark Siöstedt
mark.siostedt@redeye.se


Mattias Ehrenborg
mattias.ehrenborg@redeye.se


Niklas Sävås
niklas.savas@redeye.se


Rasmus Jacobsson
rasmus.jacobsson@redeye.se


Viktor Lindström
viktor.lindstrom@redeye.se

LIFE SCIENCE TEAM


Christian Binder
christian.binder@redeye.se


Ethel Luvall
ethel.luvall@redeye.se


Filip Einarsson
filip.einarsson@redeye.se


Fredrik Thor
fredrik.thor@redeye.se


Gustaf Meyer
gustaf.meyer@redeye.se


Johan Unnerus
johan.unnerus@redeye.se


Kevin Sule
kevin.sule@redeye.se


Mats Hyttinge
mats.hyttinge@redeye.se


Oscar Bergman
oscar.bergman@redeye.se


Richard Ramanius
richard.ramanius@redeye.se

Sebastian Andersson
sebastian.andersson@redeye.se

Disclaimer

Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.
Redeye is licensed to; receive and transmit orders in financial instruments, provide investment advice to clients regarding financial instruments, prepare and disseminate financial analyses/ recommendations for trading in financial instruments, execute orders in financial instruments on behalf of clients, place financial instruments without position taking, provide corporate advice and services within mergers and acquisition, provide services in conjunction with the provision of guarantees regarding financial instruments and to operate as a Certified Advisory business (ancillary authorization).

Limitation of liability

This document was prepared for information purposes for general distribution and is not intended to be advisory. The information contained in this analysis is based on sources deemed reliable by Redeye. However, Redeye cannot guarantee the accuracy of the information. The forward-looking information in the analysis is based on subjective assessments about the future, which constitutes a factor of uncertainty. Redeye cannot guarantee that forecasts and forward-looking statements will materialize. Investors shall conduct all investment decisions independently. This analysis is intended to be one of a number of tools that can be used in making an investment decision. All investors are therefore encouraged to supplement this information with additional relevant data and to consult a financial advisor prior to an investment decision. Accordingly, Redeye accepts no liability for any loss or damage resulting from the use of this analysis.

Potential conflict of interest

Redeye's research department is regulated by operational and administrative rules established to avoid conflicts of interest and to ensure the objectivity and independence of its analysts. The following applies:

- For companies that are the subject of Redeye's research analysis, the applicable rules include those established by the Swedish Financial Supervisory Authority pertaining to investment recommendations and the handling of conflicts of interest. Furthermore, Redeye employees are not allowed to trade in financial instruments of the company in question, from the date Redeye publishes its analysis plus one trading day after this date.
- An analyst may not engage in corporate finance transactions without the express approval of management and may not receive any remuneration directly linked to such transactions.
- Redeye may carry out an analysis upon commission or in exchange for payment from the company that is the subject of the analysis, or from an underwriting institution in conjunction with a merger and acquisition (M&A) deal, new share issue or a public listing. Readers of these reports should assume that Redeye may have received or will receive remuneration from the company/companies cited in the report for the performance of financial advisory services. Such remuneration is of a predetermined amount and is not dependent on the content of the analysis.

Redeye’s research coverage

Redeye’s research analyses consist of case-based analyses, which imply that the frequency of the analytical reports may vary over time. Unless otherwise expressly stated in the report, the analysis is updated when considered necessary by the research department, for example in the event of significant changes in market conditions or events related to the issuer/the financial instrument.

Recommendation structure

Redeye does not issue any investment recommendations for fundamental analysis. However, Redeye has developed a proprietary analysis and rating model, Redeye Rating, in which each company is analyzed and evaluated. This analysis aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

Duplication and distribution

This document may not be duplicated, reproduced or copied for purposes other than personal use. The document may not be distributed to physical or legal entities that are citizens of or domiciled in any country in which such distribution is prohibited according to applicable laws or other regulations.