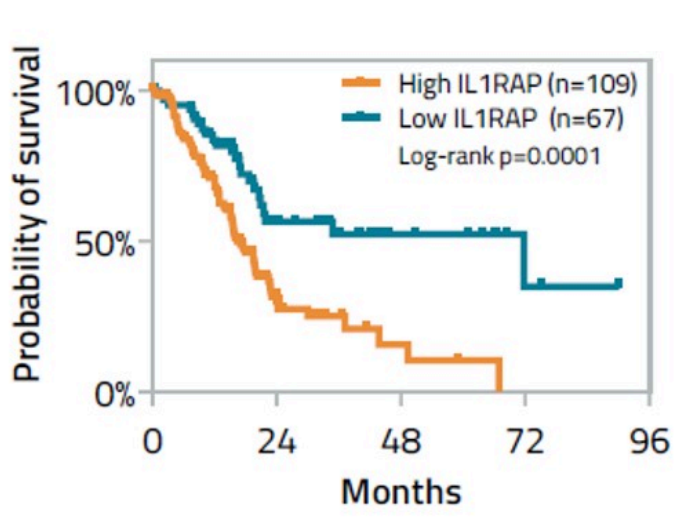
Cantargia: The New AARC-results Are Just What We Were Looking For

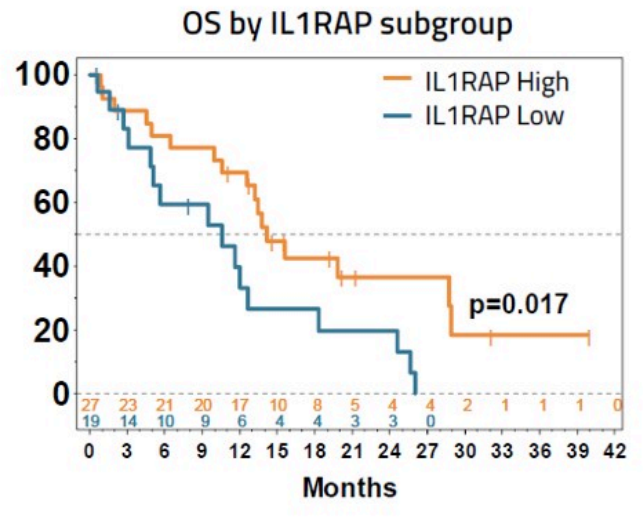
Cantargia **Research Note** 2023-04-18 07:00 **Updated** 2023-04-18 07:10

Cantargia yesterday published important results in pancreatic cancer at the AARC annual meeting. Patients with high expression of IL1RAP had statistically better survival. This makes us raise our Base Case.

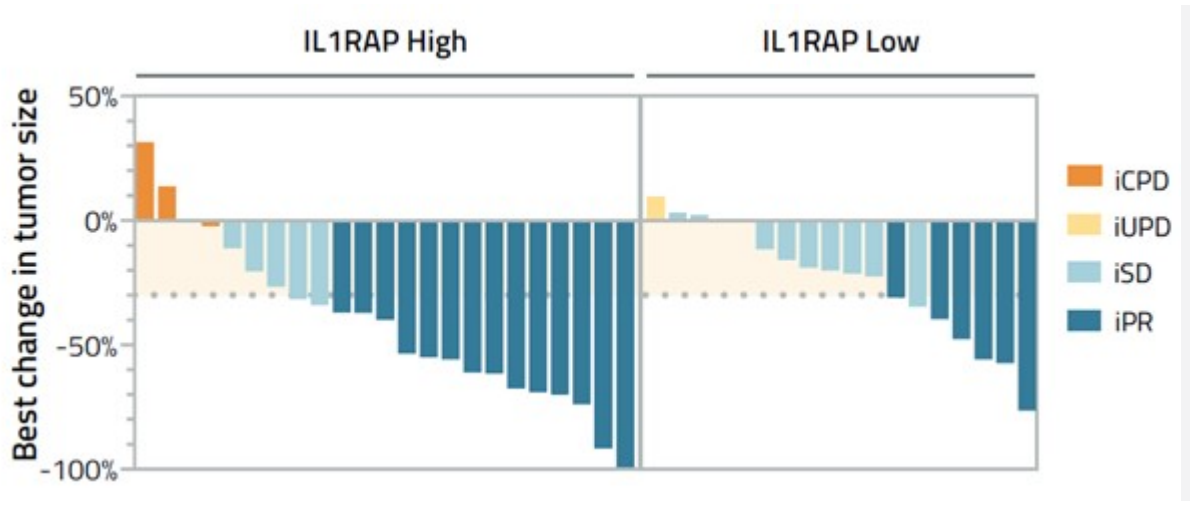
Richard Ramanius

The new results published by Cantargia are summarised in a poster. Biopsies from patients have been categorized into low (n=19) and high (n=27) expression of IL1RAP, the target of nadunolimab (CAN04), and then compared with other data. Cantargia has also studied the expression of IL1RAP and survival from two external available databases (shown below to the left), which demonstrate that IL1RAP is a biomarker for aggressive disease and worse survival. In Cantargia's survival diagram with patients from CANFOUR (below to the right), the curves have been flipped: patients with a high expression of IL1RAP have better survival. As the results are statistically significant (and there appears to be no particular bias in the selection of the subgroups), the only explanation is the effect of nadunolimab. There is a parrallel for this in HER2 positive breast cancer patients and treatment with trastuzumab and related therapies.





We have previously mentioned the lack of a control group as a risk when investing in Cantargia. The new subgroups can be seen as an (ex post facto) study (IL1RAP high) and control group (IL1RAP low). The median overall survival of the IL1RAP high group was 14.2 months while that of the low group was 10.6 months. The progression-free survival was 8.0 versus 5.8 months. Tumour shrinking (shown below) also strongly favoured the IL1RAP subgroup.



Assuming the IL1RAP group had no benefit, these results would likely be good enough for approval of the IL1RAP high group. As a comparison, checkpoint inhibitors with high PD-L1 expression have been approved after trials in which just the PD-L1 subgroup demonstrated a benefit. Since virtually all pancreatic cancers overexpress IL1RAP, we believe it is reasonable to assume that even the IL1RAP group showed some benefit. Approval for all patients is therefore also a possible outcome after a phase III trial. With this in mind, Cantargia will clearly try to define

REDEYE

REDEYE QUALITY RATING

3	3	0
People	Business	Financials

FAIR VALUE RANGE

Price 7.07

Bear 11.0 — Bull 43.0

Base 26.0

TIMELINESS

6

KEY STATS

Market Cap	1.1 BSEK
Entprs. Value (EV)	1.0 BSEK
Net Debt (2023e)	-115.9 MSEK
30 Day Avg Vol	1373 K
Shares Outstanding	167.0 M
Price / Earnings	N/A
PEG	0.0
Dividend Yield	N/A

Data from 2023-04-18 07:10

IMPORTANT INFORMATION

All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

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

IL1RAP high and low subgroups in future clinical trials.

For us, these new results mean that the phase II trial in pancreatic cancer can be considered successfully concluded; we set the probability of success for this stage to 100%, increasing the LOA to 45% (36%) in PDAC – we believe it is rather likely nadunolimab will be approved at least in the IL1RAP subgroup if studies are continued and well designed. In our opinion, the new results are quite important and have likely not been fully digested by the market. We raise our Base Case to SEK29 (SEK26).

We have interviewed CEO Göran Forsberg about the new results (in Swedish) and will publish the interview shortly.

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.

Copyright Redeye AB.