Cantargia: Comments on CAN10's toxicity study and the share price rally

Cantargia **Research Note** 2023-01-16 07:00 **Updated** 2023-01-16 07:06

Redeye is favourable towards the new preclinical results with CAN10 but believes that the share price rally on Friday, and this year in general, is more due to volatility than due to any news affecting fundamentals.

Richard Ramanius

We have previously argued on several occasions that Cantargia's "valuation is disconnected from fundamentals". Cantargia's share traded down in the wake of a fully subscribed rights issue in 2022. At the lowest point, it traded around its cash value. There has been international and institutional interest in the Cantargia share, which we believe has contributed to volatility since at least 2020. Non-fundamental factors, such as institutional divestment, investment and momentum, may also have contributed to both rise and decline. In our opinion, the recent increase only represents a return to a valuation more in line with where the share traded before the rights issue (one has to consider dilution); we discussed this potential development in a previous note.

We believe the Cantargia share is supported by, in particular, very promising phase II results in pancreatic cancer (CANFOUR, n=73), which we would argue constitute a proof-of-concept. In order to measure the magnitude of the effect, a trial with a control group will be needed - thus, Precision Promise, a pivotal trial that should start in H1 2023. The cash position is also decent compared with peers. CAN10's toxicity results reported on Friday are not a strong catalyst from a fundamental point of view; CAN10, being an early asset, makes up a only moderate amount of our sum-of-the-parts valuation. There are, however, several other near-term catalysts that could potentially lead to an increase in our Base Case. We would like to highlight three:

· CANFOUR: new updates with more details from the NSCLC arms presented at ASCO, expected in Q1.

· CAPAFOUR: more detailed readout with 18 patients in the phase I part in pancreatic ductal carcinoma with FOLFIRINOX in H1 2023.

· CESTAFOUR: more detailed readout with a total of 36 patients in three phase I studies in H1 2023 —in NSCLC with docetaxel; in biliary tract cancer in combination with cisplatin/ gemcitabine; and in colon cancer in combination with FOLFOX.

Efficacy (if objective response rates are presented) and safety data from CAPAFOUR might prove interesting. It could strengthen the case for nadunolimab in pancreatic cancer even further. (As a side note, Alligator Bioscience is developing its lead candidate mitazalimab in the same setting in which it recently published strong results). More mature data in NSCLC will also be of value. Cantargia will feature in Redeye's fight cancer event on Thursday, during which we will probably discuss these and other topics.

We do not make any changes to our Base Case after CAN10's positive toxicity study. It remains SEK 24.

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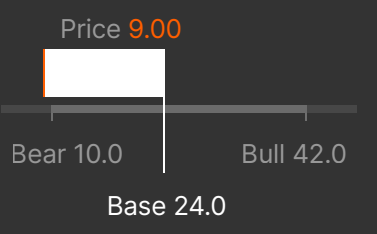
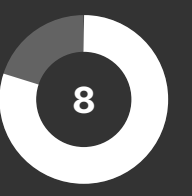
REDEYE QUALITY RATING

FAIR VALUE RANGE



TIMELINESS



KEY STATS

Market Cap	1.5 BSEK
Entprs. Value (EV)	944.0 MSEK
Net Debt	-558.8 MSEK
30 Day Avg Vol	4156 K
Shares Outstanding	100.1 M
EV / Sales	N/A
EV / EBIT	N/A
Price / Earnings	N/A
PEG	0.0
Dividend Yield	N/A

IMPORTANT INFORMATION

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

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