

# Cantargia

Q418 update

## Signs of growing interest in IL-1 pathway targets

In January 2019, the [first patient](#) was treated in the Phase IIa part of the Phase I/IIa CANFOUR study. Patient screening is ongoing in five out of 20 clinical centres and the trial is on track to read out in early 2020. Recent industry newsflow suggests growing interest in IL-1 for cancer treatment, which adds credibility to Cantargia's approach: Novartis's second IL-1 $\beta$  antibody, gevokizumab (in-licensed in 2017), entered Phase I for cancer indications, while canakinumab is now in seven cancer trials. In addition, a French group is studying a CAR-T therapy targeting IL1RAP in a [Phase I trial](#). Our valuation is slightly higher at SEK2.47bn or SEK37.3/share.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/17	0.0	(60.3)	(1.86)	0.0	N/A	N/A
12/18	0.0	(91.2)	(1.38)	0.0	N/A	N/A
12/19e	0.0	(94.6)	(1.43)	0.0	N/A	N/A
12/20e	0.0	(117.8)	(1.78)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Novartis' second IL-1 $\beta$ mAb studied in solid tumours

Novartis has recently started a [Phase I study](#) with its second IL-1 $\beta$  antibody gevokizumab in metastatic solid tumours (n=172). Novartis [licensed](#) gevokizumab from Xoma in 2017, with the rest of Xoma's IL-1 $\beta$  IP portfolio. Prior to this, Xoma and Servier were developing the antibody for several immune indications, but these were not successful. In our view, this development confirms Novartis's interest in the target for cancer. There are now eight Novartis-sponsored studies with IL-1 $\beta$  antibodies in cancer indications. Two canakinumab trials were mentioned in Novartis's [Q418 presentation](#), suggesting the antibody is a priority: the largest [Phase III lung cancer study](#) and a [Phase II melanoma trial](#) with PDR001.

## Financials: Increasing R&D costs, cash reach to 2020

With its Q418 results, Cantargia reclassified its expenses. We revised our model to correspond with the company's presentation, but the underlying results were broadly in line with our expectations (Cantargia provided expenses in the old format in the note section). We made no major changes to our estimates. Cantargia reported an operating loss of SEK93.3m in 2018, vs SEK60.0m in 2017, only slightly higher than our expected SEK88.5m. This was due to R&D costs relating to the Phase IIa initiation and non-recurring administrative costs relating to the up-listing. Cantargia's net cash position at Q418 was SEK166.8m (including short-term investments) which, according to our model, should fund operations into 2020.

## Valuation: SEK2.47bn or SEK37.3/share

We value Cantargia at SEK2.47bn or SEK37.3/share compared to our previous valuation of SEK2.28bn or SEK34.5/share due to rolling our model forward and moving into a new calendar year, which in our model reduces the risk adjustment for the R&D costs (R&D costs are risk adjusted in a linear fashion). We leave all underlying valuation assumptions unchanged, as described in our [initiation report](#).

### Pharma & biotech

8 March 2019

**Price** **SEK15.75**
**Market cap** **SEK1043m**

US\$:SEK9.05

Net cash (SEKm) at end Q418 (cash and cash equivalents + short term investments) 166.8

Shares in issue 66.2m

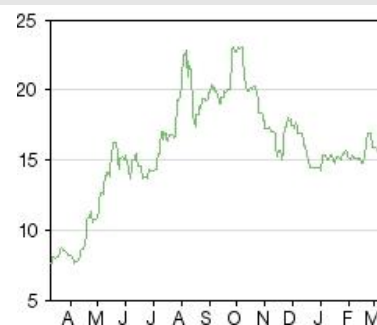
Free float 90%

Code CANT

Primary exchange Nasdaq Stockholm

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 4.0 (6.8) 123.7

Rel (local) 1.7 (13.9) 118.6

52-week high/low SEK23.3 SEK7.1

### Business description

Cantargia is a clinical-stage biotechnology company based in Sweden, established in 2009 and listed on the Nasdaq Stockholm main market. It is developing two antibodies against IL1RAP, nidanilimab (CAN04) and CANxx. Nidanilimab is being studied in a Phase I/III clinical trial CANFOUR in solid tumours focusing on NSCLC and pancreatic cancer.

### Next events

Presentation of complete Phase I data H119

IND discussions with US FDA H119

Phase IIa CANFOUR data Early 2020

### Analysts

Jonas Peciulis +44 (0)20 3077 5728

Alice Nettleton +44 (0)20 3077 5700

[healthcare@edisongroup.com](mailto:healthcare@edisongroup.com)
[Edison profile page](#)

**Cantargia is a research client  
of Edison Investment  
Research Limited**

**Exhibit 1: Financial summary**

	SEK'000s	2017	2018	2019e	2020e
December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		0	0	0	0
Cost of Sales		0	0	0	0
Gross Profit		0	0	0	0
Research and development		(52,419)	(76,951)	(86,951)	(109,602)
EBITDA		(60,010)	(93,306)	(94,924)	(117,815)
Operating Profit (before amort. and except.)		(60,010)	(93,306)	(94,924)	(117,815)
Intangible Amortisation		0	0	0	0
Exceptionals		0	0	0	0
Other		0	0	0	0
Operating Profit		(60,010)	(93,306)	(94,924)	(117,815)
Net Interest		(243)	2,145	360	0
Profit Before Tax (norm)		(60,253)	(91,161)	(94,565)	(117,815)
Profit Before Tax (reported)		(60,253)	(91,161)	(94,565)	(117,815)
Tax		0	0	0	0
Profit After Tax (norm)		(60,253)	(91,161)	(94,565)	(117,815)
Profit After Tax (reported)		(60,253)	(91,161)	(94,565)	(117,815)
Average Number of Shares Outstanding (m)		32.4	66.2	66.2	66.2
EPS - normalised (SEK)		(1.86)	(1.38)	(1.43)	(1.78)
EPS - normalised fully diluted (SEK)		(1.86)	(1.38)	(1.43)	(1.78)
EPS - reported (SEK)		(1.86)	(1.38)	(1.43)	(1.78)
Dividend per share (SEK)		0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
<b>BALANCE SHEET</b>					
Fixed Assets		2,957	2,957	2,957	2,957
Intangible Assets		0	0	0	0
Tangible Assets		0	0	0	0
Investments		2,957	2,957	2,957	2,957
Current Assets		271,496	168,486	73,923	1,639
Stocks		0	0	0	0
Debtors		0	0	0	0
Cash		149,781	76,528	72,284	0
Other*		121,715	91,958	1,639	1,639
Current Liabilities		(28,334)	(16,398)	(16,398)	(16,398)
Creditors		(28,334)	(16,398)	(16,398)	(16,398)
Short term borrowings		0	0	0	0
Long Term Liabilities		0	0	0	(45,531)
Long term borrowings		0	0	0	(45,531)
Other long-term liabilities		0	0	0	0
Net Assets		246,119	155,045	60,482	(57,333)
<b>CASH FLOW</b>					
Operating Cash Flow		(40,860)	(105,165)	(94,924)	(117,815)
Net Interest		(243)	478	360	0
Tax		0	0	0	0
Capex		0	0	0	0
Acquisitions/disposals		0	0	0	0
Financing		304,479	0	0	0
Other		(139,499)	31,434	90,320	0
Dividends		0	0	0	0
Net Cash Flow		123,877	(73,253)	(4,244)	(117,815)
Opening net debt/(cash)		(25,904)	(149,781)	(76,528)	(72,284)
HP finance leases initiated		0	0	0	0
Other		0	0	0	0
Closing net debt/(cash)		(149,781)	(76,528)	(72,284)	45,531

Source: Cantargia accounts, Edison Investment Research. Note: \*Mainly short-term investments.

---

## General disclaimer and copyright

This report has been commissioned by Cantargia and prepared and issued by Edison, in consideration of a fee payable by Cantargia. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Edison analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

**Copyright:** Copyright 2019 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2019. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document (nor will such persons be able to purchase shares in the placing).

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a) (11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

---

Frankfurt +49 (0)69 78 8076 960  
Schumannstrasse 34b  
60325 Frankfurt  
Germany

London +44 (0)20 3077 5700  
280 High Holborn  
London, WC1V 7EE  
United Kingdom

New York +1 646 653 7026  
1,185 Avenue of the Americas  
3rd Floor, New York, NY 10036  
United States of America

Sydney +61 (0)2 8249 8342  
Level 4, Office 1205  
95 Pitt Street, Sydney  
NSW 2000, Australia