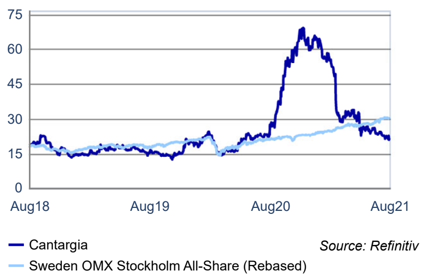
Cantargia

Healthcare
Sweden

KEY DATA

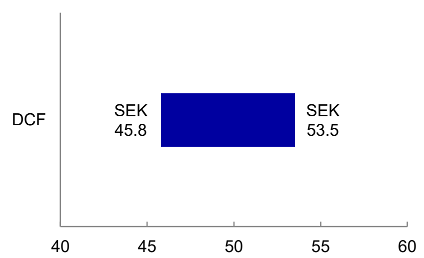
Stock country	Sweden
Bloomberg	CANTA SS
Reuters	CANTA.ST
Share price (close)	SEK 22.00
Free Float	80%
Market cap. (bn)	EUR 0.22/SEK 2.20
Website	http://cantargia.com/
Next report date	19 Aug 2021

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	n.a.	n.a.	0%
EBIT (adj)	11%	18%	0%

Source: Nordea estimates

Nordea Markets - Analysts
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ESMO in September will be a key trigger

Q2 operating losses increased y/y, as we anticipated, due to the applied and initiated studies announced in Q2. This was included in the last update's estimates, thus we make no meaningful revisions following the Q2 report, apart from lowering cash spending slightly. The ESMO congress abstract to be released in September, however, could potentially impact our valuation, as it could yield more visibility into the likelihood of CAN04 approval. We raise our DCF-based valuation range to SEK 46-54 (45-52) per share.

Increased y/y loss due to R&D investments

For Q2 2021, Cantargia reported an operating loss of SEK -86.6m, largely in line with our expectation of SEK -89m (a 3% difference) but a 132% greater loss compared to last year. This is attributable to the increased spending related to the applications and initiation of new clinical studies.

Two study applications and one study start

During Q2, Cantargia received approval to start its phase Ib study, CAPAFOUR, to evaluate CAN04 with the FOLFIRINOX chemotherapy regimen in metastatic PDAC. FOLFORINOX is used in 50% of PDAC first-line treatments, which doubles the potentially addressable PDAC patients since gemcitabine/nab-paclitaxel (evaluated in CANFOUR) accounts for the other half. Another encouraging event related to PDAC during the quarter was the start of the American company XBiotech's study with its candidate XB2001 – further confirming the role of blocking the IL-1 pathway together with chemotherapy in PDAC. Moreover, Cantargia applied to start two more CAN04 clinical studies during the quarter – CESTAFOUR and TRIFOUR – expanding the pipeline into new cancer types: biliary tract cancer, colorectal cancer and triple-negative breast cancer.

The ESMO congress in September will be a key trigger

On 13 September, abstracts for the ESMO congress will be released, disclosing the CANFOUR interim phase I/II data in NSCLC. Novartis will also release its post-trial analysis of CANOPY-2, which did not meet its primary endpoints with Canakinumab earlier this year. Novartis's post-trial study can add valuable information for Cantargia and CAN04 – such as a sub-group or safety data. Overall, the ESMO congress will be an important event in the coming months and give us a better view of CAN04's potential to reach market approval in the future.

SUMMARY TABLE - KEY FIGURES

SEKm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	0	0	0	0	0	0	987
EBITDA (adj)	-60	-93	-112	-174	-343	-408	969
EBIT (adj)	-60	-93	-112	-174	-343	-408	969
EBIT (adj) margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.2%
EPS (adj, SEK)	-1.28	-1.38	-1.52	-1.93	-3.40	-3.11	7.57
EPS (adj) growth	39.9%	-7.3%	-10.5%	-26.5%	-76.3%	8.4%	343.4%
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.	1.2
EV/EBIT (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.2
P/E (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	2.9
P/BV	1.2	6.1	10.3	7.2	4.0	9.2	2.2
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	-13.7%	-11.1%	-7.6%	-2.4%	-16.5%	-14.1%	37.1%
Net debt	-270	-167	-150	-903	-539	-227	-1,045
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-1.1
ROIC after tax	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Company data and Nordea estimates

Valuation

Based on our updated forecast, we arrive at a new DCF-derived fair value range of SEK 46-54 (45-52), using a WACC of 10-12%.

SALES GROWTH VS EBIT MARGIN

		Sales growth change				
		-7.0pp	-3.5pp		+3.5pp	+7.0pp
	+7.0pp	47.9	49.0	50.4	52.1	54.0
EBIT margin	+3.5pp	47.5	48.6	49.9	51.5	53.3
change		47.1	48.2	49.4	50.9	52.7
	-3.5pp	46.7	47.7	48.9	50.3	52.0
	-7.0pp	46.3	47.3	48.4	49.8	51.4

Source: Company data and Nordea estimates

WACC VS SALES GROWTH

		WACC				
		10.0%	10.5%	11.0%	11.5%	12.0%
	+7.0pp	57.3	54.9	52.7	50.6	48.6
Sales growth	+3.5pp	55.2	53.0	50.9	48.9	47.1
change		53.5	51.4	49.4	47.6	45.8
	-3.5pp	52.0	50.0	48.2	46.4	44.7
	-7.0pp	50.7	48.9	47.1	45.4	43.8

Source: Company data and Nordea estimates

WACC VS EBIT MARGIN

		WACC				
		10.0%	10.5%	11.0%	11.5%	12.0%
	+7.0pp	54.6	52.5	50.4	48.5	46.7
EBIT margin	+3.5pp	54.1	51.9	49.9	48.0	46.3
change		53.5	51.4	49.4	47.6	45.8
	-3.5pp	52.9	50.9	48.9	47.1	45.4
	-7.0pp	52.3	50.3	48.4	46.7	45.0

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**987**
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	0	-17	-45	-60	-93	-112	-174	-343	-408	969
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	0	-17	-45	-60	-93	-112	-174	-343	-408	969
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	0	0	-17	-45	-60	-93	-112	-174	-343	-408	969
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	0	2	1	2	2	8	3
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**	**0**	**-17**	**-45**	**-60**	**-91**	**-111**	**-172**	**-340**	**-400**	**972**
Reported taxes	0	0	0	0	0	0	0	0	0	88	-214
Net profit from continued operations	0	0	-17	-45	-60	-91	-111	-172	-340	-312	759
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	0	-17	-45	-60	-91	-111	-172	-340	-312	759
EPS, SEK	**n.a.**	**n.a.**	**-1.28**	**-2.14**	**-1.28**	**-1.38**	**-1.52**	**-1.93**	**-3.40**	**-3.11**	**7.57**
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.	98.2%
EBITA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.2%
EBIT	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.2%
Adjusted earnings											
EBITDA (adj)	0	0	-17	-45	-60	-93	-112	-174	-343	-408	969
EBITA (adj)	0	0	-17	-45	-60	-93	-112	-174	-343	-408	969
EBIT (adj)	0	0	-17	-45	-60	-93	-112	-174	-343	-408	969
EPS (adj, SEK)	n.a.	n.a.	-1.28	-2.14	-1.28	-1.38	-1.52	-1.93	-3.40	-3.11	7.57
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.	98.2%
EBITA (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.2%
EBIT (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	98.2%
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.a.	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.	-6.8%
Average EBITDA margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-6.8%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	2.9
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.2
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.2
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.2

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	2.9
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.17
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.2
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.2
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.2
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	n.a.	n.a.	n.a.	n.a.	-13.7%	-11.1%	-7.9%	-2.6%	-16.5%	-14.1%	37.1%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	-13.7%	-11.1%	-7.6%	-2.4%	-16.5%	-14.1%	37.1%
Payout ratio	n.a.	n.a.	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	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Intangible assets	2	2	0	0	0	0	0	7	7	7	7
of which R&D	2	2	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	0	0	0	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	0	7	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	0	2	3	3	3	0	0	0	0	0
Total non-current assets	2	3	2	3	3	3	7	13	13	13	13
Inventory	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	1	3	0	0	138
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	1	1	1	2	2	2	8	7	0	0	138
Cash and bank	1	17	25	35	270	167	150	903	539	227	1,045
Total current assets	2	17	25	37	271	168	159	913	539	227	1,321
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total assets	**4**	**20**	**27**	**40**	**274**	**171**	**166**	**926**	**552**	**240**	**1,334**
Shareholders equity	3	4	24	30	246	155	142	892	552	240	998
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	3	4	24	30	246	155	142	892	552	240	998
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	0	3	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	0	3	0	0	0
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	1	1	2	7	21	9	13	11	0	0	168
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	15	1	2	8	7	11	20	0	0	168
Short term interest bearing debt	0	0	0	0	0	0	0	0	0	0	0
Total current liabilities	1	16	3	10	28	16	24	30	0	0	335
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**4**	**20**	**27**	**40**	**274**	**171**	**166**	**926**	**552**	**240**	**1,334**
Balance sheet and debt metrics											
Net debt	-1	-17	-25	-35	-270	-167	-150	-903	-539	-227	-1,045
of which lease debt	0	0	0	0	0	0	0	0	0	0	0
Working capital	0	-15	-2	-7	-27	-15	-14	-21	0	0	-59
Invested capital	2	-13	-1	-5	-24	-12	-8	-8	13	13	-47
Capital employed	3	4	24	30	246	155	142	892	552	240	998
ROE	0.0%	0.0%	n.m.	n.m.	-43.6%	-45.4%	-74.5%	-33.3%	-47.1%	-78.8%	n.m.
ROIC	0.0%	0.0%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
ROCE	0.0%	0.0%	n.m.	n.m.	-43.4%	-45.4%	-74.5%	-33.3%	-47.1%	n.m.	n.m.
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-1.1
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	78.5%	20.4%	88.3%	75.6%	89.7%	90.4%	85.7%	96.4%	100.0%	100.0%	74.8%
Net gearing	-47.8%	-406.6%	-103.1%	-116.0%	-109.6%	-107.6%	-105.4%	-101.3%	-97.7%	-94.8%	-104.7%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
EBITDA (adj) for associates	**0**	**0**	**-17**	**-45**	**-60**	**-93**	**-112**	**-174**	**-343**	**-408**	**969**
Paid taxes	0	0	0	0	0	0	0	0	0	88	-214
Net financials	0	0	0	0	0	0	1	-1	2	8	3
Change in provisions	0	0	0	0	0	0	0	3	-3	0	0
Change in other LT non-IB	0	0	-1	-1	0	0	3	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	-8	1	-2	0	0	-3	8	0	0	0
Funds from operations (FFO)	**-8**	**-8**	**-17**	**-47**	**-60**	**-93**	**-111**	**-163**	**-343**	**-312**	**759**
Change in NWC	0	15	-13	5	19	-12	0	6	-21	0	59
Cash flow from operations (CFO)	**-8**	**7**	**-30**	**-42**	**-41**	**-105**	**-111**	**-156**	**-364**	**-312**	**818**
Capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Free cash flow before A&D	**-8**	**7**	**-30**	**-42**	**-41**	**-105**	**-111**	**-156**	**-364**	**-312**	**818**
Proceeds from sale of assets	0	0	0	0	0	0	3	0	0	0	0
Acquisitions	0	0	0	0	0	0	-7	-9	0	0	0
Free cash flow	-8	7	-30	-42	-41	-105	-115	-165	-364	-312	818
Free cash flow bef A&D, lease adj	-8	7	-30	-42	-41	-105	-111	-156	-364	-312	818
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	8	10	45	56	304	0	98	919	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	0	30	0	0	0	0	0
Other non-cash adjustments	-1	-1	-7	-4	-28	-28	0	0	0	0	0
Change in cash	-1	15	8	10	235	-103	-17	753	-364	-312	818
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.	n.a.	6	14	20	64	22	22	22
Market cap.	n.a.	n.a.	n.a.	n.a.	300	940	1,467	6,412	2,204	2,204	2,204
Enterprise value	n.a.	n.a.	n.a.	n.a.	31	773	1,317	5,509	1,665	1,977	1,159
Diluted no. of shares, year-end (m)	0.0	0.0	13.5	20.9	46.9	66.2	72.8	100.2	100.2	100.2	100.2

Source: Company data and Nordea estimates

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