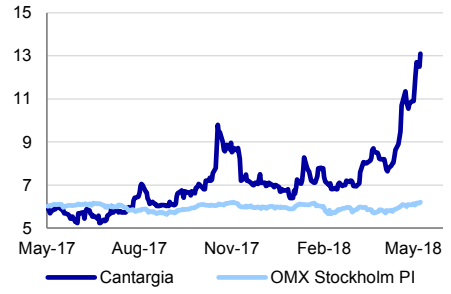
Cantargia

Healthcare | Sweden

KEY DATA

Country	Sweden
Bloomberg	CANTA SS
Reuters	CANTA.ST
Share price	13.10
Free float	89%
Market cap (m)	SEK 867
Website	www.cantargia.com
Next report date	15 May 2018

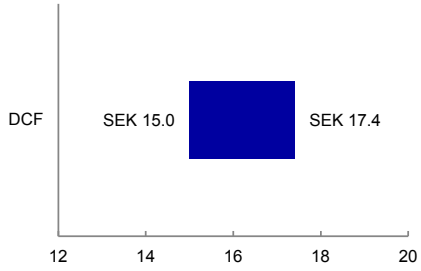
ABSOLUTE & RELATIVE PERFORMANCE



	-1M	-6M	-12M	YTD
Absolute	68%	50%	123%	105%
Relative	62%	48%	122%	100%

Source: FactSet and Bloomberg

VALUATION APPROACH



Source: FactSet and Nordea estimates

Nordea Markets - Analysts
Dan Johansson
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Hans Mähler
Director

Innovative antibody with combination potential

Promising future for next generation antibodies

Immuno-oncology is a rapidly evolving field and has recently experienced a flurry of partnership deals. In the last five years, the segment accounted for 32 of the 35 multi-billion dollar oncology licensing deals. Cantargia's lead candidate is the antibody CAN04, which has a dual mechanism of action, as it fights cancer by activating the immune system and by blocking signals that lead to tumour growth. It is currently undergoing a phase I/IIa trial within NSCLC and pancreatic cancer.

External validation for the IL-1 pathway

The scientific case for CAN04 was recently strengthened when Novartis' extensive CANTOS trial externally validated its IL-1 pathway. The study was primarily designed to investigate cardiovascular events, but an additional clinical benefit was the striking reductions in lung cancer incidence and death of 67% and 77%, respectively. The results were promising enough for Novartis to commission three additional phase III studies. We believe CAN04 could plausibly have a higher potential in cancer, as it exhibits a broader mechanism of action.

Fully funded by committed main owners

Cantargia is in a rather unique position at this early stage of development, as it was able to raise SEK 232m in December 2017 with the support of major institutional investors. It has thus secured funding until mid-2020, when its current clinical development programme is finalised.

Multiple inflection points ahead

We expect Cantargia to reveal preliminary phase I during the summer, followed by an immediate step into phase IIa. We expect the study to be finalised at the end of 2019, which could trigger partnership discussions. A potential partnership could then provide funding to explore interesting fields outside cancer, such as expanding into the treatment of autoimmune/inflammatory diseases. Based on our fundamental DCF approach, and assuming a WACC of between 10%-12%, we derive an equity value per share of SEK 15 to SEK 17.4.

SUMMARY TABLE - KEY FIGURES

SEKm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net sales	0	0	0	0	0	0	0	464
- growth		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT	-8	-8	-17	-48	-60	-78	-85	403
- margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	86.9%
EPS	-1.25	-1.10	-1.27	-2.27	-1.28	-1.14	-1.25	6.11
- growth		n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
DPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/E	0.0	0.0	n.m.	n.m.	n.m.	n.m.	n.m.	2.1
EV/EBIT	0.2	2.1	n.m.	n.m.	n.m.	n.m.	n.m.	1.0
EV/Sales	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.9
RoE	-231.6%	-123.4%	-176.5%	-43.6%	-36.3%	-64.3%	139.6%	-12.9%
Div. yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FCF yield	n.a.	n.a.	-23.6%	-30.2%	-13.7%	-11.5%	-9.6%	43.9%
ND/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-1.2x

Source: Company data and Nordea estimates

Table of contents

Factors to consider

Cantargia is a biotech company active in the rapidly growing field of immuno-oncology, specialising in antibody-based cancer treatment. Its lead candidate CAN04, currently undergoing the phase I/IIa CANFOUR study, has a dual mechanism of action as it activates the immune system and blocks signals that lead to tumour growth. CAN04 is a likely candidate for combination therapies, which are increasingly viewed as the future of cancer treatment, and the targeted indications have substantial market potential. Given a positive outcome of the CANFOUR study, we expect the company to close a partnership deal around CAN04 in 2020. The company's patent portfolio is rather unique with protection not only for drug candidates but also for their target molecule. An impressive list of institutional owners has contributed to Cantargia being fully funded until 2020. Near-term triggers involve phase I results during the summer and a listing change during H2 2018.

We have identified a number of key themes describing the investment case in Cantargia

We consider the following factors key when evaluating an investment in Cantargia:

- Lead antibody candidate CAN04 has a dual mechanism of action, both inhibiting tumour growth and activating the body's immune system, stimulating it to attack cancer cells. Furthermore, its IL-1 pathway has been clinically validated through Novartis' extensive CANTOS trial.
- Immuno-oncology is the strongest growing pharmaceutical segment and Cantargia's initial target indications, NSCLC and pancreatic cancer, represent substantial market opportunities. In addition, the company's platform also has potential in additional attractive indications, in cancer as well as other diseases.
- It has a unique patent portfolio with protection not only for product candidates but also for the use of IL1RAP as a target molecule.
- Rare institutional ownership in an early-stage life science company. These strong owners have contributed to the company having full funding until 2020.
- Phase I results and listing change are triggers we see in 2018. In a longer perspective, the major event will be the result of the CANFOUR study and, given a positive outcome, a subsequent licensing deal.

Key risk factors:

- Clinical trials are risky and have no guarantee of success, despite promising results in a preclinical setting.
- Cantargia is still in the development phase and is currently not generating any positive cash flow.
- Cantargia faces competition from companies with extensive experience and resources. Apart from established treatments, Cantargia could also face competition from novel treatments currently under development.
- The company is highly dependent on a number of key employees.

Dual mechanism of action with externally validated pathway

Dual mechanism of action as CAN04 inhibits tumour growth and activates the body's immune system

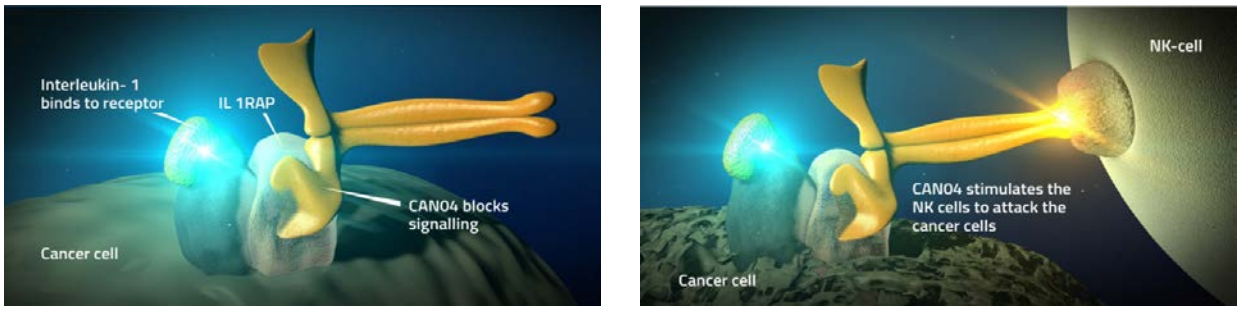
Cantargia's lead antibody candidate CAN04 has a dual mechanism of action as it not only inhibits tumour growth but also activates the body's immune system. The antibody attaches to the IL1RAP receptor molecule and blocks it from sending signals that induce inflammation and contribute to tumour growth. At the same time it stimulates the body's immune system, which sends natural killer (NK) cells to attack

the tumour.

CAN04 is a likely candidate for combination therapies

Given positive outcomes in the clinic, Cantargia could position CAN04 as a valuable addition to combination therapies and potentially generate significant interest in a licensing deal from pharmaceutical companies.

ONE ANTIBODY – TWO POTENTIAL MODES OF ACTION



Source: Company data and Nordea Markets

Novartis' CANTOS trial clinically validated the IL-1 pathway and generated results promising enough for Novartis to commission three phase III studies in NSCLC

The scientific case for CAN04 was recently strengthened when Novartis' extensive CANTOS trial clinically validated its IL-1 pathway. The results in the study regarding lung cancer incidence and death were promising enough for Novartis to commission a further three phase III studies; a substantial investment that sends an indication of the significant potential that Novartis sees for its Canakinumab drug.

Cantargia's CAN04 plausibly has higher potential than Canakinumab considering that it not only blocks the IL-1b ligand, which is what Canakinumab does, but also the IL-1a ligand and in addition also induces killing of the cancer cells via the immune system.

Attractive immuno-oncology assets

Immuno-oncology is the strongest growing pharmaceutical segment

Immuno-oncology is the strongest growing pharmaceutical segment and has seen a flurry of deal making in recent years. In the last five years, the segment accounted for 32 of the 35 multi-billion dollar oncology licensing, deals according to Defined Health. This deal activity has largely been due to pharma companies being on the prowl for potential components to combination therapies which are emerging as a likely standard of care for cancer treatment.

Combination therapies are increasingly seen as the future standard of cancer care and potential components are being snapped up

As a consequence of the challenging nature of the discovery of effective combinations, high-potential candidates can generate substantial value quite early in the clinical stage. With a dual mechanism of action, CAN04 could thus generate interest from the likes of Bristol-Myers Squibb as a potential component in combination therapies. As an indication of the potential value that can be unlocked given a positive readout in the ongoing CANFOUR study, Defined Health found that the average licensing deal in 2015-16 for immuno-oncology projects in phase II was USD 601m with an average upfront payment of USD 130m.

Target indications represent substantial market opportunities

NSCLC and pancreatic cancer represent substantial market opportunities

Non-small cell lung cancer (NSCLC) and pancreatic cancer, the company's initial target indications, represent substantial market opportunities that are expected by consensus to grow at high rates in the coming years.

Immuno-oncology is expected to grow its market share in the NSCLC market and grow at a 19% CAGR until 2022

Lung cancer is among the deadliest types of cancer and 80-85% of all lung cancers are NSCLC. There are four antibody treatments for NSCLC sold globally and consensus forecasts indicate that immune-oncology will expand its NSCLC market share and grow at a 19% CAGR, compared with the total NSCLC market at 15%. In 2017 global sales in the NSCLC were USD 14.0bn and consensus estimates indicate a total market of USD 27.8bn in 2022.

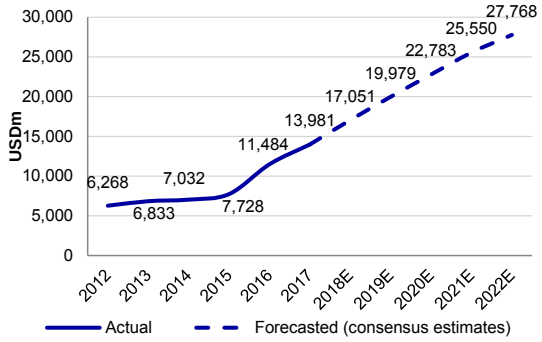
Pancreatic cancer is

Pancreatic cancer is extremely difficult to treat as it is most often discovered at a late stage. According to Evaluate data, global sales within the pancreatic cancer market were USD 738m in 2017, and are forecast to grow at a 16% CAGR to USD 1.6bn in

extremely difficult to treat and the indication most in need of new treatment alternatives amongst all cancer types

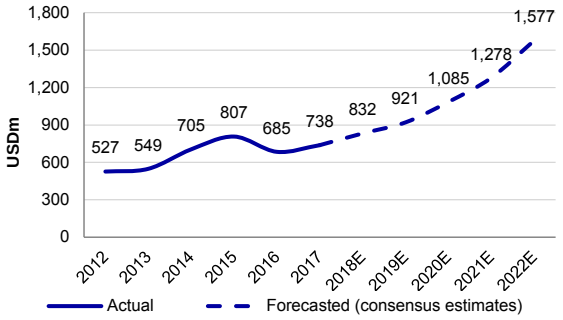
2022. The acceleration in sales is primarily driven by innovation of new products, with eight new products, currently under development, factored into the consensus forecasts. According to an Ipsos Healthcare survey amongst oncologists in the US and Europe, pancreatic cancer was perceived as the most in need of new treatment alternatives out of all cancer types.

GLOBAL SALES IN THE NSCLC MARKET



Source: Evaluate Pharma and Nordea Markets

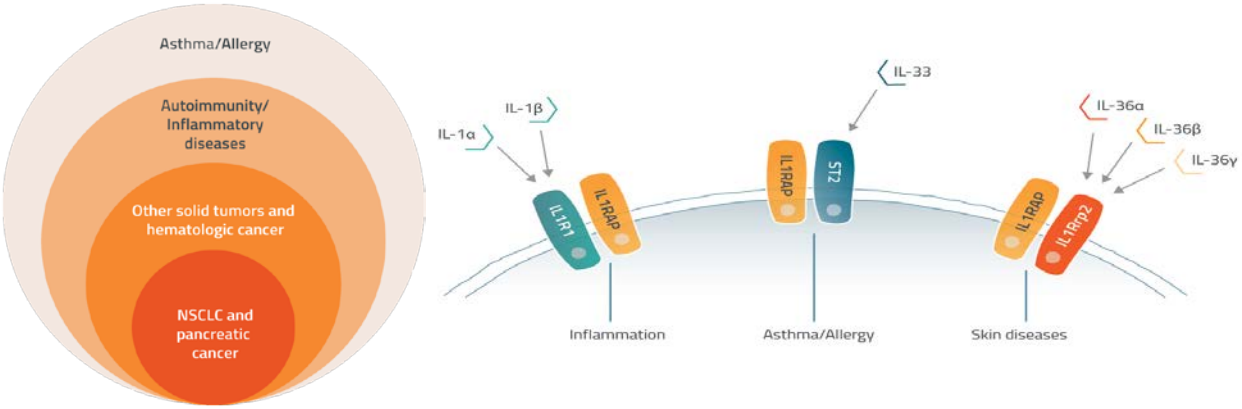
GLOBAL SALES IN THE PANCREATIC CANCER MARKET



Source: Evaluate Pharma and Nordea Markets

In addition to NSCLC and pancreatic cancer, CAN04 has potential in further cancer indications and the research phase CANxx project adds indications beyond cancer such as autoimmune and inflammatory diseases.

INDICATIONS WITH POTENTIAL FOR CANTARGIA'S PLATFORM



Source: Company data and Nordea Markets

Unique patent portfolio

Cantargia's strong patent portfolio includes a unique protection for the use of IL1RAP as a target molecule that could add a premium to a future partnership deal

Cantargia has a strong patent portfolio that provides protection for its initial indications within solid tumours, ie NSCLC and pancreatic cancer, until 2035. What differentiates Cantargia with regards to patents from many of its peers is that it not only has patent protection for its product candidates but also for the use of IL1RAP as a target molecule which is a rather unique situation.

Cantargia's patents were, however, recently challenged in Europe but the opposition was rejected by the European Patent Office in January 2018 and the patents thus remain in force. We believe that the patent protection for using IL1RAP as a target molecule represents a strong selling point that could add a premium in a future partnership deal around CAN04.

PATENT OVERVIEW

Patent family	Patent application	Approved patents	Validity
Hematological cancers	Australia, Canada, China, Europe, Israel, Japan, Mexico, South Africa, USA	Australia, China, Europe (France, Italy, Netherlands, Switzerland, Spain, Great Britain, Germany),Israel, Japan, Mexico, South Africa, USA	2030
Solid tumors	Australia, Brazil, Canada, China, Europe, Japan, Mexico, Russia, South Korea, USA	Australia, Europe (Belgium, Denmark, France, Ireland, Italy, Netherlands, Poland, Switzerland, Spain, Sweden, Germany, Austria), Japan, Mexico, USA, Russia	2032
CAN04	Australia, Brazil, Canada, China, Europe, India, Israel, Japan, Mexico, Russia, Singapore, South Africa, South Korea, USA	Europe, South Africa, USA	2035
CAN01 & CAN03	Australia, Brazil, Canada, China, Europe, India, Japan, Mexico, South Korea, USA	National phase examination in progress	2035

Source: Company data and Nordea Markets

Strong owners have provided full funding until 2020

Rare institutional ownership in an early-stage life science company sends a positive signal

Cantargia's ownership structure is a rare sight among life science companies in a relatively early stage of development. The top owners include three of the six national pension buffer funds in Sweden as well as additional well-renowned institutional investors. These strong owners have helped fill the company's coffers with sufficient funding to cover operations until 2020. At that point, results of the CANFOUR study is expected to have been reported and the company is likely, given a positive outcome, to have reached a licensing deal with a partner that can support or take over the continued development of CAN04.

Combined directed issue and rights issue in December 2017 brought in SEK 232m and secured the company's funding needs until 2020

In December 2017, Cantargia conducted a combined directed issue and rights issue that raised SEK 232m before costs. A majority of the proceeds will be devoted to the lead candidate CAN04 but the funding will also enable further development of the CANxx project within autoimmune and inflammatory diseases which is in the preclinical phase.

USE OF COMBINED DIRECTED ISSUE AND RIGHTS ISSUE PROCEEDS

Use	Amount (SEKm)
Clinical trial phase IIa CAN04 (solid tumours)	60
Preclinical support CAN04	20
Other development CAN04	40
Preclinical and other activities CANxx	40
Other working capital strengthening	49
Issuance costs	23
Total	232

Source: Company data and Nordea Markets

Phase I results and listing change represent triggers in 2018

Near-term triggers include the results of the phase I part of the CANFOUR study

We expect phase I of the ongoing CANFOUR study to be completed in the summer of 2018, with results representing a near-term trigger for Cantargia. The results announcement will also signal the initiation of the phase IIa part of the study as it is planned to follow directly upon the completion of the phase I portion of the study.

Listing change and news on the company's strategy for the US are also expected in 2018

During 2018, the company also expects to deliver preclinical data on combination therapies, report further progress in preclinical studies as well as update the market on its regulatory and clinical strategy for the US. In addition to the research-related news flow, the company is also preparing a listing change from First North to the main list at Nasdaq OMX, which could improve liquidity in the stock and potentially attract new investors.

UPCOMING TRIGGERS IN 2018

Event	Expected
Results of phase I part of CANFOUR study	Summer 2018
Initiation of phase IIa part of CANFOUR study	Summer 2018
US clinical and regulatory strategy announcement	H2 2018
Listing change to Nasdaq Main Market	H2 2018

Source: Company data

The outcome of the CANFOUR study, expected in late 2019, will represent a pivotal event for Cantargia

In a longer perspective, the most important trigger for Cantargia will be the final results of the CANFOUR study, which we expect to have been reported at the end of 2019. Given a positive outcome, a subsequent licensing deal in 2020 could constitute a major event of value creation and provide the company with financial resources to fund the continued development of its CANxx project.

ESTIMATED TIMETABLE FOR CANTARGIA'S PROJECTS

Event	Indication	Q2 2018	Q3 2018	Q4 2018	H1 2019	H2 2019	H1 2020
CAN04 phase I (CANFOUR)	Cancer						
CAN04 phase IIa (CANFOUR)	NSCLC, Pancreatic cancer						
CANxx, discovery phase	Autoimmune & inflammatory diseases						
CANxx, preclinical phase	Autoimmune & inflammatory diseases						

Source: Company data and Nordea estimates

Valuation

Our DCF valuation indicates an fair value range of SEK 15.0-17.4 per share

Based on the assumption that the company can deliver in line with our expectations, and using a WACC of between 10%-12%, we estimate a fair value range of SEK 15.0-17.4 per share. We derive our fair value from our fundamental DCF framework.

Risk factors

A full description of the risk factors we find most relevant for Cantargia can be found on pages 53-54

Clinical trials are risky and there are no guarantees they will be successful despite promising results in previous trials. Even in the event of positive results, there is a risk that regulatory bodies, such as the FDA and EMA, might have another interpretation of the results. Trials are time-consuming, expensive and require certain expertise. It can take several years to complete a trial, and regulatory bodies may delay or terminate trials at any time.

Cantargia is still in a development phase and is not generating positive cash flows.

The market for pharmaceutical products is highly competitive and Cantargia could face competition for its products and product candidates from companies with extensive experience and resources. Apart from established treatments, Cantargia might also face competition from novel treatments currently under development.

The company's future success is dependent on its ability to keep, motivate and attract key personnel. This includes senior scientists as well as senior management.

We provide a full description of the main risk factors we find relevant for Cantargia on pages 53-54.

Valuation

Based on a fundamental discounted cash flow (DCF) approach and assuming a weighted average cost of capital (WACC) of 10-12%, we derive an equity value range of SEK 15.0-17.4 per share. Note that the valuation is based on a long-term analysis and is not linked to a near-term assessment of the performance of the company.

Our valuation approach is primarily based on a DCF framework

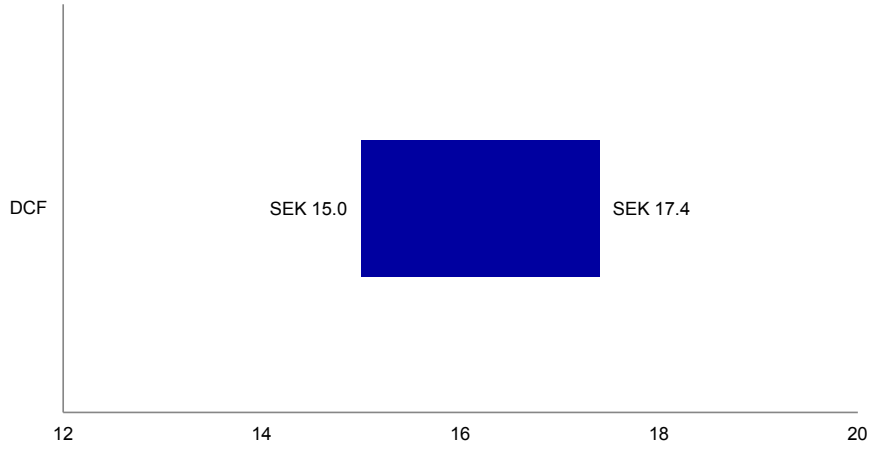
One of the most common ways to value the attractiveness of an investment opportunity is the discounted cash flow (DCF) method. A DCF model discounts all available cash flows for equity, bond and non-equity holders at the weighted average cost of capital (WACC). In other words, WACC represents a blended cost of capital for all invested capital in the company. In fundamental terms, a DCF framework is built on three parts:

- Discounting the company's free cash flow at WACC.
- Identifying the value of debt and other non-equity claims on the enterprise value.
- Deducting all claims to determine the value of the common equity. The fair value per share is then simply calculated by dividing the equity value by the number of outstanding shares.

A DCF valuation is commonly considered among academics and practitioners to be the best way to capture the underlying fundamental drivers of a company such as cost of capital, growth rates, reinvestment rates etc. If applied correctly, it represents the best way to approximate the true intrinsic value of a company. The main appeal of a DCF framework compared with other valuation methodologies is that it also focuses on streams of cash rather than accounting earnings. Its main disadvantage is its relative sensitivity to changes in input values.

We derive an equity value of SEK15.0 to SEK 17.4 per share for Cantargia

Based on a DCF framework, we derive an equity valuation range of SEK 15.0-17.4 per share for Cantargia. Our forecast model is based on risk-adjusted NPV, where cash flows for the product candidates are adjusted to reflect the probability at each phase of clinical development. This implies that clinical achievements could have a significant impact on the valuation, positively or negatively.



Source: Nordea estimates

Near-term valuation triggers

A number of near-term events could impact the valuation of the company

Cantargia has a number of value inflection points during 2018 that could impact the valuation of the company. Phase I of the ongoing CANFOUR study is expected to be completed in the summer of 2018, with results representing a near-term trigger for the company. The result announcement will also signal the initiation of the phase IIa part of the study as it will follow directly upon the completion of the phase I portion

of the study.

Results from phase I of the CANFOUR study expected in the summer of 2018

During 2018, the company also expects to deliver preclinical data on combination therapies, report further progress in preclinical studies as well as update the market on its regulatory and clinical strategy for the US. In addition to the research related news flow, the company is also preparing a listing change from First North to the main list at Nasdaq OMX which could improve liquidity in the stock and potentially attract new investors.

UPCOMING TRIGGERS IN 2018

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US clinical and regulatory strategy announcement	H2 2018
Listing change to Nasdaq Main Market	H2 2018

Source: Company data and Nordea estimates

Valuation distribution

Our valuation only incorporates the potential in NSCLC and pancreatic cancer for the CAN04 lead candidate

On an indication level, our valuation of the company is based on the NSCLC, pancreatic cancer and autoimmune and inflammatory diseases indications. Positive outcomes in the CANFOUR study could however validate CAN04 and open up other indications, potentially offering valuation upside. As an example, the AML indication is one that the company has identified for future studies with CAN04. We choose to exclude AML in our estimates at this point due to the limited visibility regarding the company's plans and the cost of an additional study at this stage. Cantargia's platform also has potential in asthma and allergy indications, but since these are not a focus area in the current research program, we exclude these as well. We thus do not assign any value to other indications for CAN04 apart from NSCLC and pancreatic cancer. For the CANxx project we include the autoimmune and inflammatory diseases indication.

PORTFOLIO OVERVIEW

	Launch year	Peak sales (SEKm)	Risk adjustment	Adj. peak sales (SEKm)	% of NPV	Share of current price, SEK
CAN04						
NSCLC	2024	1,867	10.3%	193	82%	6.9
Pancreatic cancer	2023	522	4.6%	24	11%	1.0
CANxx						
Autoimmune and inflammatory diseases	2027	131	19.6%	26	7%	0.6
Net cash/(debt) and time value						4.7
Total		**2,519**		**243**	**100%**	**13.1**

Source: Nordea estimates

Relative valuation and benchmarking

Difficulties finding relevant peers as it is a novel treatment

While it is generally advisable to attempt to provide a relative valuation approach, as a sanity check if nothing else, the early stage and the nature of the business that Cantargia is active in makes it very difficult to find a suitable peer group. The valuation for such a company is highly dependent on company-specific factors such as long-term market potential and probability of reaching that market, something that differs greatly between different medicinal focus areas. Considering the pioneering nature of Cantargia's platform, we therefore value the company solely on its own merits. We however provide some interesting data points for potential partnership deals in the Benchmarking section of this report that can serve as ballpark references.

Fundamental valuation

Our DCF valuation range is based on variation in WACC assumptions

In the table below, we set out the general assumptions that we use to calculate our DCF value. Based on the assumption that Cantargia can deliver broadly in line with our forecasts, using a WACC of between 10%-12%, we arrive at a fair equity value range of SEK 15.0-17.4 per share. In the terminal period, we model WACC equal to ROIC and 2.5% growth.

DCF VALUATION

DCF value	Value	Per share
NPV FCFF	684-843	10.3-12.7
(Net debt)	270	4.1
Time value	39-37	0.6-0.6
DCF Value	**993-1,150**	**15.0-17.4**

Source: Nordea estimates

AVERAGES & ASSUMPTIONS

Averages and assumptions	2018-30	2031-33	2034-38	2039-43	2044-48	Sust.
Sales growth, CAGR	n.a	15.0%	-30.0%	-25.0%	2.5%	
EBIT-margin, ex. associaties	69.1%	56.9%	56.9%	56.9%	0.7%	
Capex/depreciation, x	n.a	1.0	1.0	1.0	1.0	
Capex/sales	0.0%	2.5%	2.5%	2.5%	2.5%	
NWC/sales	12.2%	5.0%	5.0%	5.0%	5.0%	
FCFF, CAGR	n.a	-6.7%	-16.0%	-26.7%	-69.3%	2.5%

Source: Nordea estimates

To highlight the sensitivity of the DCF valuation, we also provide sensitivity matrices modelling variations in revenue growth, margin assumptions and cost of capital.

WACC

We apply a range of cost capital (WACC) of 10-12% as the input for our DCF valuation. The assumptions behind our WACC are outlined in the following table.

WACC ASSUMPTIONS

WACC components	
Risk-free interest rate	1.5%
Market risk premium	5.5%
Forward looking equity beta	1.6-1.9
Cost of equity	10.0%-12.0%
Cost of debt	10.0%
Tax-rate used in WACC	22.0%
Equity weight	100.0%
WACC	**10.0%-12.0%**

Source: Nordea estimates

We apply a WACC range of 10%-12%

DCF sensitivity

In the following table, we provide a sensitivity analysis of the DCF valuation, with varying EBIT margins and sales growth rates.

SALES GROWTH VS EBIT MARGIN

		Sales growth change				
		-7.0pp	-3.5pp		+3.5pp	+7.0pp
EBIT margin change	+7.0pp	15.7	16.1	16.5	17.1	17.8
	+3.5pp	15.5	15.9	16.3	16.9	17.5
		15.4	15.7	16.1	16.6	17.2
	-3.5pp	15.2	15.6	15.9	16.4	16.9
	-7.0pp	15.1	15.4	15.7	16.1	16.6

Source: Nordea estimates

Our DCF value with varying EBIT margins and sales growth rates

We also illustrate how the equity value varies with changes in WACC and sales growth.

Our DCF value with different WACC and sales growth assumptions

WACC VS SALES GROWTH

		WACC				
		10.0%	10.5%	11.0%	11.5%	12.0%
Sales growth change	+7.0pp	18.7	17.9	17.2	16.6	15.9
	+3.5pp	18.0	17.3	16.6	16.0	15.5
		17.4	16.7	16.1	15.6	15.0
	-3.5pp	16.9	16.3	15.7	15.2	14.7
	-7.0pp	16.5	15.9	15.4	14.9	14.4

Source: Nordea estimates

In addition, we provide a sensitivity table illustrating how the equity value varies with changes in EBIT margin assumptions and WACC.

Our DCF value with different WACC and EBIT margin assumptions

WACC VS EBIT MARGIN

		WACC				
		10.0%	10.5%	11.0%	11.5%	12.0%
EBIT margin change	+7.0pp	17.9	17.2	16.5	16.0	15.4
	+3.5pp	17.6	17.0	16.3	15.8	15.2
		17.4	16.7	16.1	15.6	15.0
	-3.5pp	17.1	16.5	15.9	15.4	14.9
	-7.0pp	16.9	16.3	15.7	15.2	14.7

Source: Nordea estimates

Scenario sensitivity

As an addition to our main DCF valuation we also provide examples of scenarios per indication where we vary outcomes regarding royalty rates and the size of milestones to demonstrate the sensitivity of some of the key assumptions. Each scenario is calculated by varying the outcome of one scenario while holding the base case of the other scenarios constant.

SCENARIOS WITH DIFFERING ROYALTY AND MILESTONE ASSUMPTIONS

	Upside	SEK per share	Downside	SEK per share
NSCLC	5% higher royalty share	2.2	50% lower milestones	-2.0
Pancreatic cancer	5% higher royalty share	0.3	50% lower milestones	-1.4
Autoimmune and inflammatory diseases	5% higher royalty share	0.4	50% lower milestones	-1.4
Potential Upside/Downside		**2.9**		**-4.8**

Source: Nordea estimates

Company overview

Cantargia is a biotech company active in the field of immuno-oncology, specialising in antibody-based cancer treatment. Its antibody candidate CAN04 has a dual mechanism of action as it fights cancer by activating the immune system and by blocking signals that lead to tumour growth. The company is initially focusing on lung and pancreatic cancer and CAN04 is undergoing a phase I/IIa trial initiated in Q3 2017, with preliminary phase I results expected in Q3 2018. Cantargia recently closed a combined directed issue and rights issue that provided it with SEK 232m before costs. It now has sufficient resources to cover its operations until 2020.

Cantargia is a Swedish biotech company focused on immuno-oncology and specialises in antibody-based cancer treatment

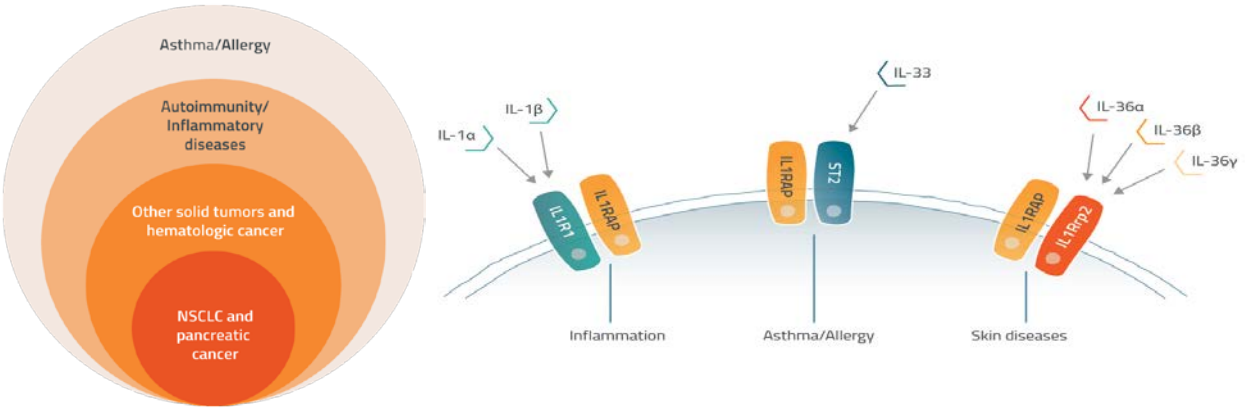
Cantargia is a Swedish biotech company founded in 2009 by researchers at Lund University. The company focuses on immuno-oncology and specialises in antibody-based cancer treatment. The company is developing its lead antibody candidate CAN04, which has a dual mechanism of action as it fights cancer by activating the immune system and by blocking signals that lead to tumour growth. Treatment with CAN04 thus has the potential to become an important part of modern immuno-oncology. CAN04 is undergoing a phase I/IIa trial, the CANFOUR study, within non-small cell lung cancer (NSCLC) and pancreatic cancer. We expect the results from phase I of the study in the summer of 2018, at which point it will directly move into phase IIa.

Lead candidate CAN04, targeting NSCLC and pancreatic cancer in phase I/IIa trials

CANxx project in the pipeline, focusing on autoimmune and inflammatory diseases

In addition, the company has development projects in the pipeline, with its CANxx project. Cantargia intends to develop and patent a new antibody targeting IL1RAP in order to treat autoimmune and inflammatory diseases, with the aim to have a product candidate selected by late 2018 or early 2019.

INDICATIONS WITH POTENTIAL FOR CANTARGIA'S PLATFORM



Source: Company data and Nordea Markets

Multiple triggers during 2018 and beyond, including progress in the CANFOUR phase I/IIa study

Cantargia is exposed to multiple value inflection points in 2018-19 and recently closed a financing round that strengthened its cash position by SEK 232m, securing funding until 2020. Funds should be sufficient to finalise its ongoing study and optimally it will enter a partnership to support further development upon positive study data. This would also provide Cantargia with sufficient resources to pursue clinical trials within other areas and explore other growth initiatives.

UPCOMING TRIGGERS IN 2018

Event	Expected
Results of phase I part of CANFOUR study	Summer 2018
Initiation of phase IIa part of CANFOUR study	Summer 2018
US clinical and regulatory strategy announcement	H2 2018
Listing change to Nasdaq Main Market	H2 2018

Source: Company data and Nordea estimates

ESTIMATED TIMETABLE FOR CANTARGIA'S PROJECTS

Event	Indication	Q2 2018	Q3 2018	Q4 2018	H1 2019	H2 2019	H1 2020
CAN04 phase I (CANFOUR)	Cancer						
CAN04 phase IIa (CANFOUR)	NSCLC, Pancreatic cancer						
CANxx, discovery phase	Autoimmune & inflammatory diseases						
CANxx, preclinical phase	Autoimmune & inflammatory diseases						

Source: Company data and Nordea estimates

Company history

Founded in 2009 after a discovery by Thoas Fioretos and Dr Marcus Järås

Cantargia AB was founded in 2009 based on a discovery made by Professor Thoas Fioretos and Dr Marcus Järås at Lund University. Their research showed that leukaemia stem cells express a protein, IL1RAP, on the cell surface which is not expressed to the same extent on normal stem cells. Cantargia's research has since also shown that IL1RAP is expressed in a range of solid tumour cancers.

Cantargia chose CAN04 as its lead candidate in 2014 and went public with its First North listing in 2015

During the following years, the company conducted further research, which resulted in the selection of CAN04 as its lead product candidate in 2014 and also numerous patent applications, both for its target molecule IL1RAP and its product candidates. In 2015, Cantargia went public through a Nasdaq First North listing and it has turned to its shareholders for financing in each of the following years.

Clinical trials began in Q3 2017 and financing until 2020 was secured in Q4 of the same year after a SEK 232m issue

After having successfully taken CAN04 through the preclinical phase, Cantargia started a phase I/IIa study in Q3 2017. In addition, it also formed a strategic partnership with Silicon Valley based Panorama Research to develop an antibody for the treatment of autoimmune, inflammatory diseases (CANxx).

In Q4 2017, Cantargia secured its financing up to and including 2020 via a combined directed issue and a rights issue that provided the company with SEK 232m before costs.

KEY EVENTS FOR CANTARGIA

Event	Year
Research discovery around IL1RAP protein by Thoas Fioretos and Dr Marcus Järås at Lund University	2009
Company founded	2010
CAN04 selected as lead product candidate	2014
Listed on Nasdaq First North	2015
Rights issue of SEK 44m before costs	
Agreement with CRO Specialized Medical Services-oncology BV	2016
Announcement of new development strategy and increased capital need	
Rights issue of SEK 73m before costs	2017
Initiation of first clinical trials, the phase I/IIa CANFOUR study	
Strategic partnership with Panorama Research around CANxx project	
Combined directed issue and rights issue of SEK 232m before costs	
EPO rejects third party opposition to Cantargia's EU patents	2018
Presents new data at AACR on inhibition of metastasis by antibodies against IL1RAP	

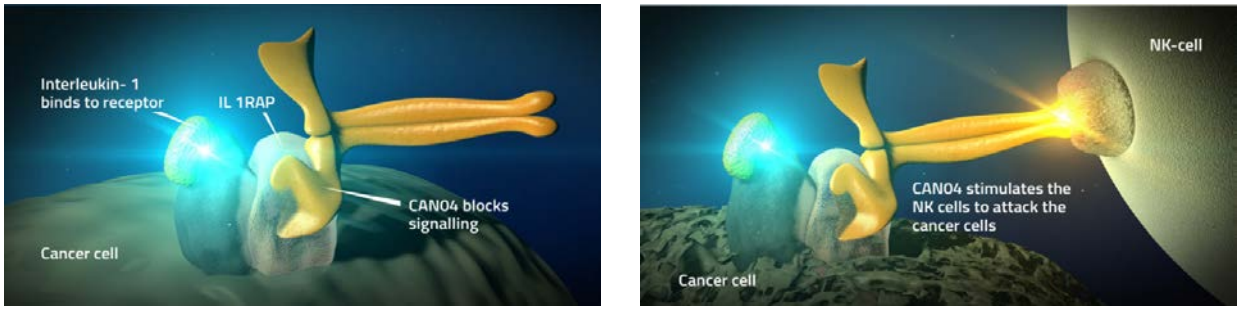
Source: Company data and Nordea markets

Scientific concept

CAN04 can block IL-1 signalling and activate the immune system's killer cells

Cantargia's product candidate CAN04 is an antibody treatment that fights cancer both by activating the immune system and by blocking signals which stimulate tumour growth. CAN04 is designed to block cancer cell's signalling by the interleukin-1 system, which can regulate inflammation that has an important role in tumour progression.

ONE ANTIBODY – TWO POTENTIAL MODES OF ACTION



Source: Company data and Nordea Markets

Patent portfolio

Strong patent portfolio with patents covering not only product candidates but also target molecule IL1RAP

Cantargia's patent portfolio consists of four patent families of approved patents and patent applications awaiting approval. The first family includes the use of IL1RAP as a target molecule for the treatment and diagnostics of haematological malignancies, while the second comprises IL1RAP as a target molecule in solid tumours. The third family relates to the CAN04 product candidate, while the fourth relates to other IL1RAP-binding antibodies. We consider the patent situation be solid for Cantargia as it holds patents not only for its product but also for the target molecule.

Third-party opposition to several patents was rejected by the EPO in January 2018, confirming the strength of the patents

In January, 2018, the company announced that the opposition to some of its patents in Europe filed by a third party had been cancelled, as the opposing party announced that it did not intend to take part in the oral proceedings at the European Patent Office. The EPO subsequently rejected the opposition, and the patents remain in force. While the outcome was expected, it removed any doubt around the patent situation and strengthened our view on the patent portfolio, as it has now been tried twice: once during the initial patent applications and then during the opposition process.

PATENT OVERVIEW

Patent family	Patent application	Approved patents	Validity
Hematological cancers	Australia, Canada, China, Europe, Israel, Japan, Mexico, South Africa, USA	Australia, China, Europe (France, Italy, Netherlands, Switzerland, Spain, Great Britain, Germany),Israel, Japan, Mexico, South Africa, USA	2030
Solid tumors	Australia, Brazil, Canada, China, Europe, Japan, Mexico, Russia, South Korea, USA	Australia, Europe (Belgium, Denmark, France, Ireland, Italy, Netherlands, Poland, Switzerland, Spain, Sweden, Germany, Austria), Japan, Mexico, USA, Russia	2032
CAN04	Australia, Brazil, Canada, China, Europe, India, Israel, Japan, Mexico, Russia, Singapore, South Africa, South Korea, USA	Europe, South Africa, USA	2035
CAN01 & CAN03	Australia, Brazil, Canada, China, Europe, India, Japan, Mexico, South Korea, USA	National phase examination in progress	2035

Source: Company data and Nordea Markets

Strategy

Strategy to take product candidates through the first stages of the clinical development

Cantargia's business strategy is to take its product candidates through the initial stages of the clinical development. The aim is then to be in a position for a partner to take on and continue the development of projects in a time-efficient manner, and in doing so, avoid delaying a launch.

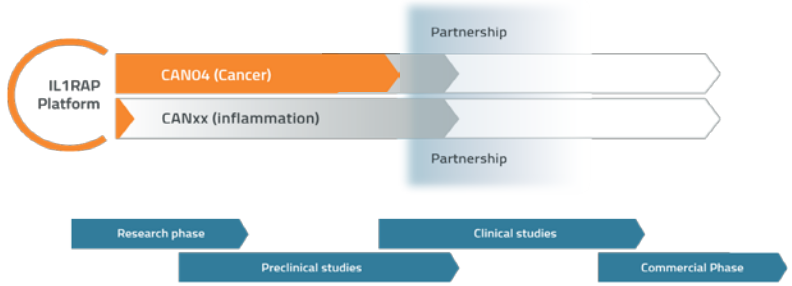
CAN04 will be taken through the CANFOUR study and subsequently be further developed by/with a partner

Regarding the lead product candidate CAN04, Cantargia intends to complete its CANFOUR study, the phase I/IIa trial, and thereafter seek to establish a partnership to take the product further and later reach market approval. To deliver the project, the company works virtually through a multitude of collaborations with different contractors, companies, hospitals and academic groups. Between 20 and 30 local or international parties are currently working on CAN04 research and development.

CANxx project is jointly developed through strategic partnership with Panorama Research

Cantargia is also open for collaborations at an earlier stage than in the clinical phase, as evidenced by the strategic partnership formed with Panorama Research for the CANxx project. Panorama Research is an R&D company in Silicon Valley specialising in antibody technology, and it will shoulder a substantial part of the project's development in return for a share of future income.

CANTARGIA PARTNERSHIP STRATEGY



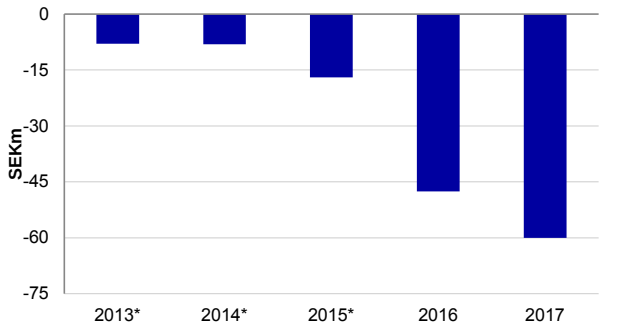
Source: Company data and Nordea Markets

Financial overview

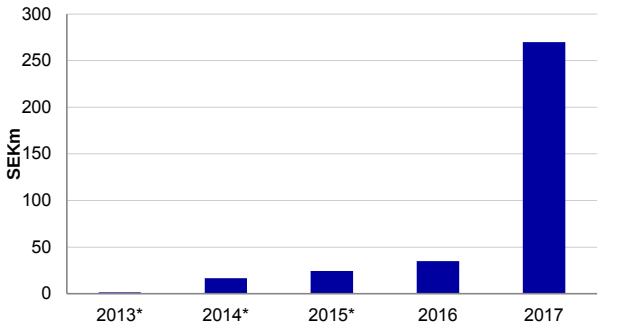
Dependent on external funding during resource-intensive clinical phase

Cantargia is in a resource-intensive phase of its product development and is still years away from having a product on the market. Like most early-stage life science companies, the company has been dependent on external sources of funding as it is not generating any revenue at this stage.

OPERATING INCOME



CASH AND CASH EQUIVALENTS



**Denotes years for which numbers have not been restated in accordance with IFRS.*
Source: Company data and Nordea Markets

Source: Company data and Nordea Markets

Solid cash position after SEK232m proceeds from recent issues, sufficient until 2020

Cantargia recently closed a combined directed issue and fully guaranteed rights issue that strengthened its financial position by a total of SEK 232m before costs. The company states that the current cash at hand will be sufficient to cover its operations until 2020. This means that the short-term financing question that acts as a drag on many of its peers is not an issue for Cantargia in the near to medium term.

USE OF COMBINED DIRECTED ISSUE AND RIGHTS ISSUE PROCEEDS	
Use	**Amount (SEKm)**
Clinical trial phase IIa CAN04 (solid tumours)	60
Preclinical support CAN04	20
Other development CAN04	40
Preclinical and other activities CANxx	40
Other working capital strengthening	49
Issuance costs	23
Total	232

Source: Company data and Nordea Markets

Executive management and Board of Directors

Lean and experienced management team led by CEO Göran Forsberg

Cantargia has a lean management team led by CEO Göran Forsberg who has extensive drug development experience, with an emphasis on oncology, after more than 30 years in the industry. He has previously served as Chief Business Officer at Active Biotech and has also held various roles at both KabiGen and Pharmacia.

Board contains a good mix of scientific research experience and business know-how

The chairman of the board is Magnus Persson, who has founded and served as chairman and director of both private and public biotech companies. He currently also serves as the Managing Director of Karolinska Institutet Holding. The board also includes Thoas Fioretos, who, along with Marcus Järås, originated the research that formed the basis of the company's founding.

Overall impression that Cantargia is led by an experienced team that can lead the company to a partnership deal for CAN04

Our overall impression is that Cantargia possesses the relevant experience to drive the company's development and achieve the company's goal of finding a partner that can take CAN04 through the remainder of the clinical phase and all the way to potential market approval.

A sign of the market's belief in the company's prospects was the recently completed directed issue of SEK 101m, in which the company managed to attract institutional interest from some of Sweden's largest and most prominent investors including First AP Fund, Second AP Fund, Fourth AP Fund, Nordic Cross Stable Return and Handelsbanken Läkemedelsfond.

EXECUTIVE MANAGEMENT

Göran Forsberg	
Position	
CEO	
Other appointments	
Director of Isogenica Ltd.	
Background	
Ph.D. in biochemistry, Associate Professor and author of more than 40 scientific publications. Has been engaged in pharmaceutical and biotechnology companies for more than 30 years, notably in various roles at KabiGen, Pharmacia, Active Biotech and the University of Adelaide, Australia. His most recent position was as Chief Business Officer at Active Biotech. Has extensive drug development experience with an emphasis on oncology.	
No. of shares	
77,648	

Liselotte Larsson	
Position	
VP Operations	
Other appointments	
-	
Background	
M.Sc. in Chemical Engineering and a Ph.D. in Biotechnology with extensive experience from senior positions in pharmaceutical and medtech companies, including MultiFerm, BioGaia Fermentation, Novozymes Biopharma, Camurus and Life Science Foresight Institute. Has worked mainly in business development, marketing and sales/licensing, ISO certification, GMP manufacturing and overall project management.	
No. of shares	
24,000	

Lars Thorsson	
Position	
VP Clinical Development	
Other appointments	
-	
Background	
Ph.D. in Clinical Pharmacology with more than 25 years of experience of working in the pharmaceutical industry, including leading roles in clinical studies and project management covering several development phases at AstraZeneca. Most recently worked at Novo Nordisk, where he was Senior Clinical Pharmacology Scientist with responsibility for preparation and implementation of clinical pharmacological studies in development projects. Has also been in charge of evaluating and documenting new substances, and has experience of regulatory work and contacts with regulators.	
No. of shares	
49,001	

David Liberg	
Position	
VP Cancer Research	
Other appointments	
-	
Background	
Ph.D. with nearly 20 years' research experience in immunology and tumour biology. Over the past ten years he has worked in the pharmaceutical industry, managing early-stage research projects and activities in tumour immunology. Has considerable experience of preclinical cancer research. Joined Cantargia from Active Biotech, where he was Project Manager Drug Development and previously Head of Cell Biology and Biochemistry. He has conducted research at Imperial College in the UK and at Lund University.	
No. of shares	
4,400	

Bengt Jöndell	
Position	
CFO	
Other appointments	
-	
Background	
BSc in Business Aministration and a MSc in Chemical engineering. Extensive experience in various executive financial functions such as CFO and CEO at BTJ Group, Senior Financial Advisor for BoneSupport, CFO/Administrative manager at Inpac, Business Controller at Pharmacia & Upjohn Consumer Healthcare, Pharmacia, Pharmacia Consumer Pharma and Pharmacia Nicorette. Most recent position was CFO for Enzymatica.	
No. of shares	
55,999	

Source: Company data and Nordea Markets

BOARD OF DIRECTORS




Magnus Persson	Lars H. Bruzelius	Thoas Fioretos	Karin Leandersson
Position	**Position**	**Position**	**Position**
Chairman of the board	Director	Director	Director
Other appointments	**Other appointments**	**Other appointments**	**Other appointments**
Chairman of SLS Invest, Galecto Biotech, HIP Health Innovation Platform and Perma Ventures. Director of Immunicum, Själbådan and Gyros Protein Technologies Holding as well as Albumedix A/S and Cerecor Inc.	Chairman of Lund University Bioscience and Stiftelsen EFL. Director of Brushamn Holding, Brushamn Invest, Catella Fondförvaltning, Follicum, Lars H Bruzelius Aktiebolag and Lunicore Studentkonsult. Owner of Lars H Bruzelius Konsult.	Director of Qlucore and Deputy Director of Neodos.	-
Background	**Background**	**Background**	**Background**
Physician and Associate Professor of Physiology at the Karolinska Institute in Stockholm with extensive experience in medicine, life science and biotech financing. Has previously led development teams in phase II and III programmes and has founded and served as Chairman and Director of private as well as public biotech and medtech companies in Europe and the US. Has also been involved in about ten IPOs.	Associate Professor of Business Administration and management consultant with extensive experience of working with banks and companies in the energy, medtech and telecom industries. Senior partner and joint owner of BSI & Partners, and was Deputy CEO and Administrative Director of Gambro for three years. Has been a Director of two listed companies and an investor and Director of several start-up companies.	Professor and senior physician at the Division of Clinical Genetics at Lund University. The focus of his research is on molecular and functional studies of genetic changes in leukemia and how such changes can be used for diagnostic and therapeutic purposes. Author of more than 100 scientific publications, and is one of the founders of Cantargia and the bio-IT company Qlucore.	Broad cancer research experience in the areas of tumour immunology and tumour inflammation in solid tumours, mainly in breast cancer. Author of around 30 scientific publications in international journals.
No. of shares	**No. of shares**	**No. of shares**	**No. of shares**
44,976 shares and 85,000 2017/2020 warrants	1,232,682	732,600	-



Claus Asbjørn Andersson	Niclas Lundqvist	Patricia Delaite
Position	**Position**	**Position**
Director	Director	Director
Other appointments	**Other appointments**	**Other appointments**
Chairman of FBC Device ApS. Director of Acarix A/S, Acarix AB, Follicum and Sunstone TV (LSV) Special Limited Partner III ApS.	Chairman of Swedish Growth Fund Holding. Director of Aktiebolaget Glumslövs Tegelbruk, Bonsig, ABGT Konsult and RhoVac.	-
Previous background	**Previous background**	**Previous background**
Partner of Sunstone Life Science and ARO Medical ApS. M.Sc. in Civil Chemical Engineering from the Technical University of Denmark and a Ph.D. in Mathematical Statistics from Copenhagen University and the Humboldt University of Berlin. Privately, he has founded two European start-up companies and two in Denmark. Has been involved in Sunstone Life Science since its establishment in 2007, and is an active member of the International Venture Club and an advisor to the European Commission.	LL.M. and has since 1996 worked as a legal advisor on corporate, stock market and securities law matters for companies listed on Swedish stock exchanges or MTFs. Boardroom experience as director for companies listed on Swedish stock exchanges and investment firms regulated by the Swedish FSA. Previous experience includes other types of legal, project management and business development work in corporate finance at Sedermera Fondkommission from 2003 to 2013. One of the founders of the VC fund Swedish Growth Fund.	MD and MBA from University of Lausanne. Executive Medical Director of Incyte Biosciences International in Geneva, and has had leading positions in ARIAD Pharmaceuticals, Novartis and Eli Lilly. Also has previous experience from clinical development and research at the University hospital in Geneva.
No. of shares	**No. of shares**	**No. of shares**
-	-	-

Source: Company data and Nordea Markets

Shareholders

Impressive list of owners after directed issue attracted three of the Swedish national buffer system funds and other well-known institutional investors

Sunstone Capital, a European investor specialising in early-stage life science opportunities is the largest shareholder followed by the First AP Fund, which is one of three of the national Swedish pension system's buffer funds among Cantargia's top owners. The other two are the Fourth AP Fund, fourth on the list, and the Second AP Fund, which appears in the sixth spot. The third-largest shareholder is Avanza Pension, which represents thousands of primarily Swedish retail investors.

Cantargia's shareholder structure stands out compared to other life science companies at a similar stage of development, as institutional investors rarely invest in these kinds of companies. This constitutes a strong signal of the market's confidence in Cantargia's potential.

SHAREHOLDER STRUCTURE AS OF MARCH 31, 2018

Shareholder	Number of shares	Capital
Sunstone Life Science Ventures Fund III K/S	5,972,292	9.0%
First AP Fund	4,550,000	6.9%
Avanza Pension	4,109,368	6.2%
Fourth AP Fund	3,064,129	4.6%
SEB S.A. Clients Assets Ucits	2,477,000	3.7%
Second AP Fund	2,200,000	3.3%
Tibia Konsult AB	1,419,722	2.1%
Mats Invest AB	1,328,788	2.0%
Kudu AB	1,243,216	1.9%
Brushamn Invest AB	1,232,682	1.9%
Nordnet Pensionsförsäkring AB	1,097,074	1.7%
Handelsbankens Läkemedelsfond	1,000,000	1.5%
Others	36,491,540	55.1%
Total	66,185,811	100.0%

Source: Company data and Nordea Markets

Scientific concept

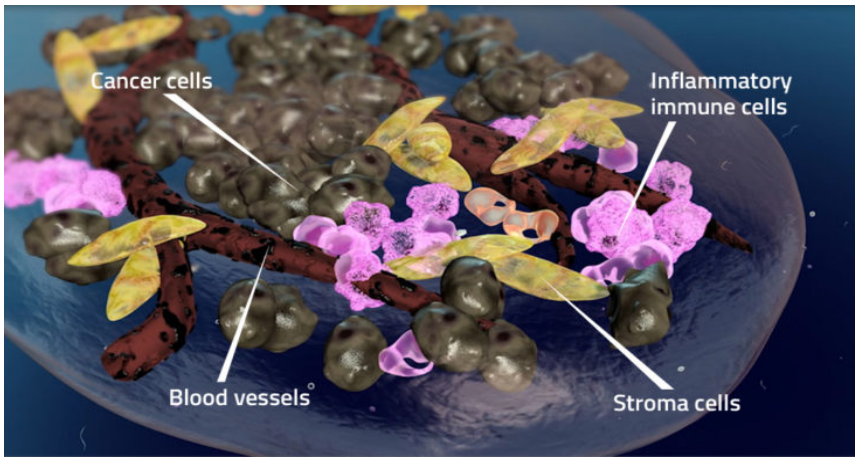
Cantargia's lead candidate CAN04 targets the IL1RAP molecule and fights cancer through a dual mechanism of action: by both activating the immune system and simultaneously blocking signals that drive tumour growth. This antibody treatment has the potential to be used in the fight against various types of cancer and autoimmune/inflammatory diseases. The company's clinical programme focuses on non-small cell lung cancer (NSCLC) and pancreatic cancer. Tumours associated with these forms of cancer generally have a high expression of IL1RAP, according to Cantargia's proprietary research. The interleukin system, which plays a central role in tumour progression, is blocked by CAN04, thus mitigating tumour growth.

Inflammation plays a key role in tumour progression

Cancer is a common name for over 200 different diseases that all are associated with genetic changes in cells, causing increased and uncontrolled cell division. Traditional cancer treatments are designed to target rapidly proliferating cells, but these products rarely provide a cure for the disease. Another key component in tumour progression is inflammation. There are several factors that could trigger an inflammation, but one factor that has been associated with many inflammatory and autoimmune diseases is the molecule interleukin. This has triggered greater interest in targeting the interleukin system in the development of new drugs.

The IL-1 system (inflammation) provides a fertile microenvironment

MICROENVIRONMENT OF A TUMOUR



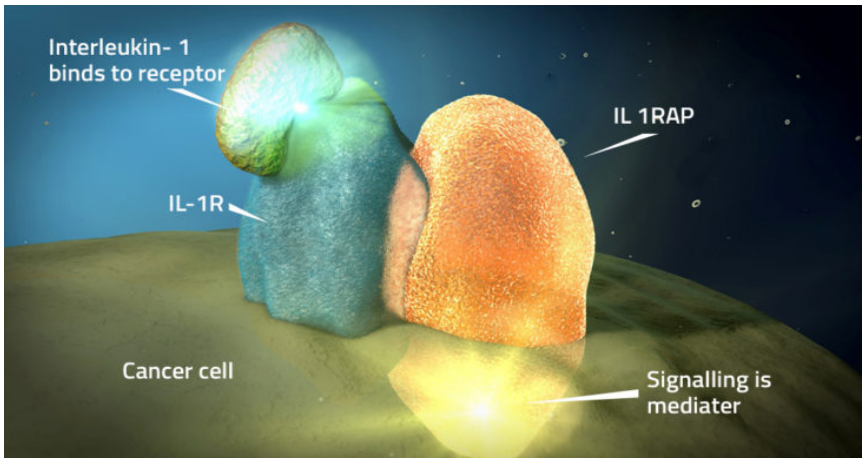
Source: Company data

IL-1 binds to a receptor complex on the cell surface, which transmits signals to start inflammatory processes

In addition to cancer cells, a tumour consists of blood vessels that provide nutrition, stromal cells that serve as a skeleton and immune system cells. Complex signalling between these cells induces inflammation, which often leads to the body's natural immune system becoming blocked in the vicinity of the tumour.

THE INTERLEUKIN-1 SYSTEM

One component of the IL-1 receptor complex is IL1RAP



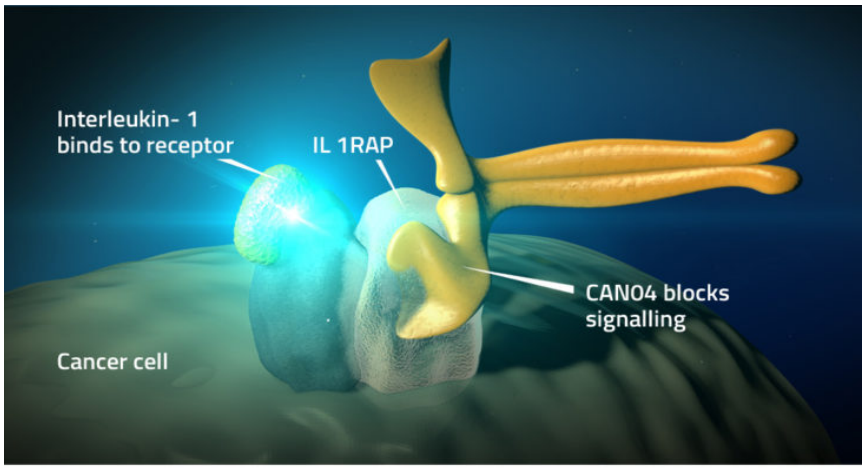
Source: Company data

Cantargia's target molecule is IL1RAP, which is found on cancer cells in both solid tumours and leukaemia

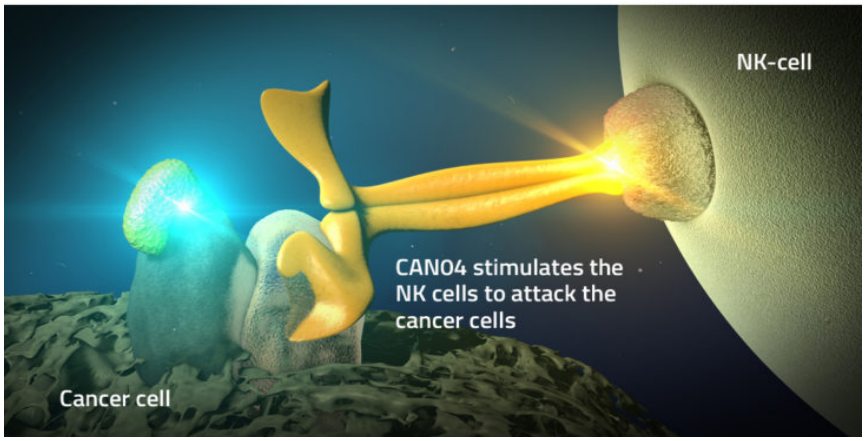
Interleukin-1 circulates in the blood and plays a central role in the body's internal defence system by stimulating the immune cells and triggering inflammation. It influences the central nerve system by inducing fever, among other things, which increases resistance to bacterial infections for example. Interleukin-1 can appear in two forms, IL-1a and IL-1b, which bind to IL-1R and attach to the receptor complex (IL1RAP) on the cell surface where they activate the signalling to start inflammatory processes.

ONE ANTIBODY – TWO POTENTIAL MODES OF ACTION

CAN04 has a dual mechanism of action: it is designed to block cancer cells signalling via the IL-1 system and to activate the immune system



Recent data suggests that targeting IL1RAP could also inhibit metastasis formation



Source: Company data

IL1RAP can be found in cancer cells in both solid tumours

IL1RAP forms part of the receptor on a cancerous cell that is being used by interleukin-1 to transmit signals between cancer cells and stromal cells, which

and leukaemia

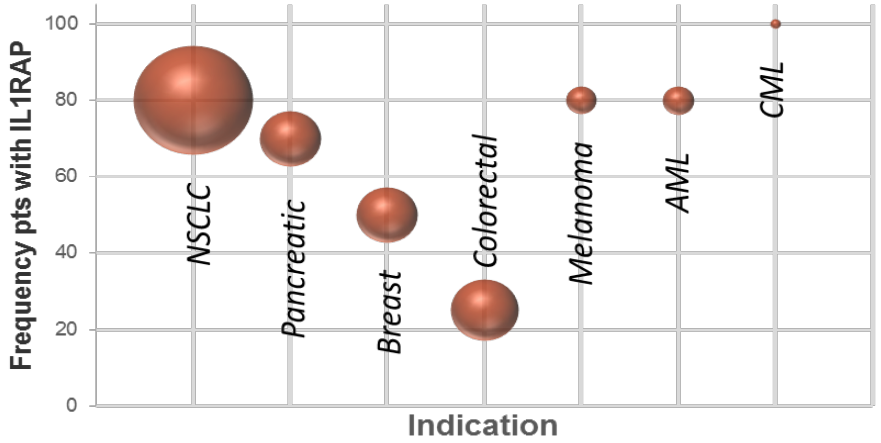
stimulate tumour development. It can be found in cancer cells in both solid tumours and leukaemia, as well as on cells involved in inflammation.

CAN04 blocks the signal from IL-R and subsequently activates the natural killer cells of the immune system

In a pre-clinical setting (in-vitro and in-vivo), Cantargia's product candidate CAN04 has shown the ability to attack tumours in a targeted way by means of a dual mechanism of action: firstly, by blocking the intracellular signals from the IL1RAP target molecule, thereby impairing the cancer cells' ability to secrete tumour stimulating cytokines, which in turn reduces tumour inflammation and tumour progression; secondly, CAN04 is designed to activate the natural killer cells of the immune system, which carry out a targeted attack on cells containing IL1RAP, a process called Antibody Dependent Cell-mediated Cytotoxicity (ADCC). This makes the cancerous tumour much more sensitive to the body's internal immune system and other cancer treatments.

Recent preclinical data also suggests that targeting IL1RAP with an antibody could inhibit the formation of metastases, which is an indication of more progressed and aggressive tumour forms, by affecting the tumour microenvironment. The data was presented at the American Association of Cancer Research (AACR) 2018 annual meeting in Chicago and the documented anti-mestatic effect provides an additional novel mechanism, which could increase the clinical relevance and broaden the scope for CAN04.

PATIENTS WITH IL1RAP



Source: Company data

Potential to expand the development platform beyond lung and pancreatic cancer

The original discovery by the research group behind Cantargia was a high expression of IL1RAP in leukaemia stem cells, but later research identified IL1RAP in a number of other cancers. Based on internal research into the frequency of IL1RAP and external data on medical need and market size, Cantargia has identified pancreatic and lung cancer as primary indications in its ongoing clinical trials. Drugs targeting the interleukin-1 system could be applied in a broader setting; ie not only for other types of cancer, but also in the treatment of autoimmune/inflammatory diseases.

External validation through CANTOS trial

Canakinumab is an antibody that targets IL-1

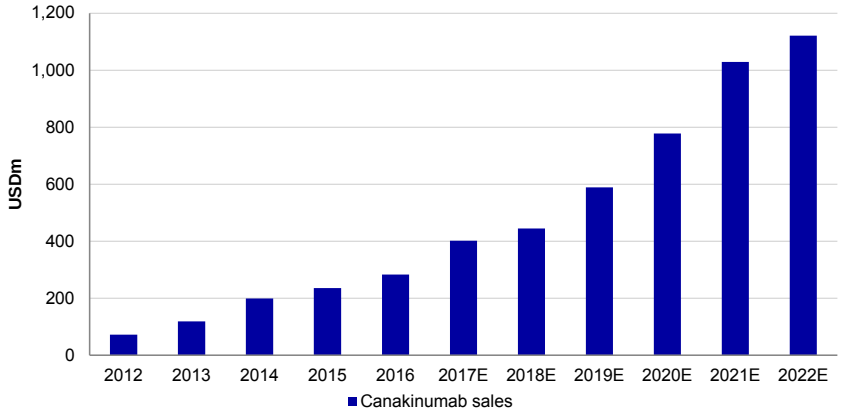
Ilaris (canakinumab) is a fully human monoclonal antibody that selectively binds and neutralises interleukin-1. It was first approved by the FDA and the EMA in 2009 for cryopyrin-associated periodic syndromes, which is a group of rare, heterogeneous autoinflammatory diseases characterised by interleukin 1b-mediated systemic inflammation.

CANTOS study spanned over six years and enrolled more than 10,000 patients

In 2017, Novartis announced primary data from its Canakinumab Anti-inflammatory Thrombosis Outcomes study (CANTOS), one the company's largest studies ever conducted spanning over six years and including more than 10,000 enrolled patients. The study met its primary endpoints by showing that ACZ885 (canakinumab) in combination with standard treatment reduces cardiovascular risk in patients with a heart attack history and inflammatory atherosclerosis. The findings were presented at the European Society of Cardiology and published in the Lancet and the New England

Journal of Medicine.

CANAKINUMAB SALES

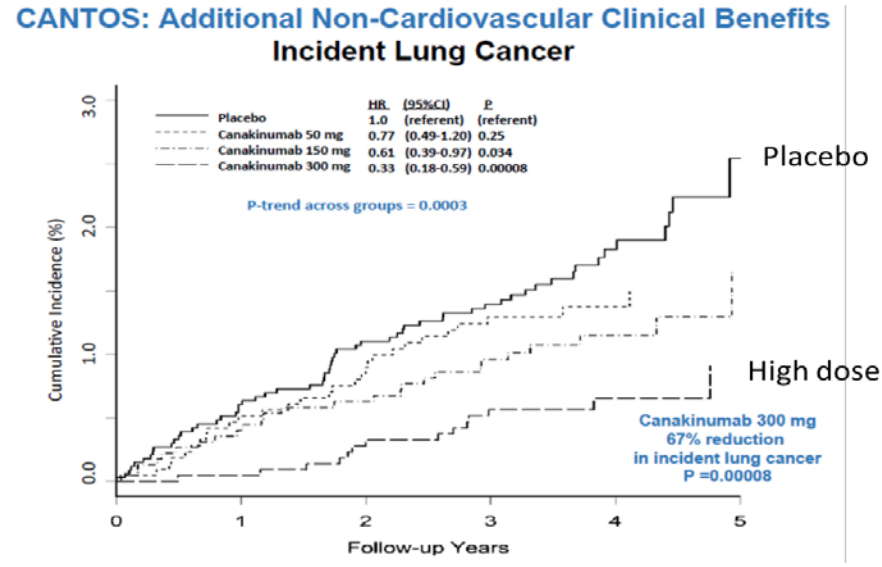


Source: Novartis and Evaluate

CANTOS trial also provided some intriguing hints about reductions in lung cancer incidence

From Cantargia's point of view, the study provided some intriguing hints about a striking reduction in the incidence of fatal lung cancer. The pre-planned oncology safety analyses revealed a 77% reduction in lung cancer mortality and a 67% reduction in lung cancer incidence. According to Novartis, this was the first phase III trial confirming the preclinical hypotheses that inhibition of IL1-b inhibits cancer incidence and mortality.

ADDITIONAL FINDINGS FROM CANTOS TRIAL



Source: Novartis

Further studies to test the hypothesis are planned by Novartis

Novartis has said that it plans to ask regulators if there is a way to reflect the cancer benefits on the drug label, as it is seeking approval for its use in heart disease. The company also has a number of studies planned to examine an anti-inflammatory approach to cancer treatment. A phase III trial within NSCLC has already started and two additional phase III studies have been communicated but have yet to be initiated. Cancer researchers said the result was intriguing but cautioned against reading too much into the results without trials specifically designed to examine this hypothesis.

CANTOS ADDITIONAL FINDINGS		
CANCER decreased risk of death with treatment (high dose)		
Lung cancer	77%	p=0.0002
Non-lung cancer	37%	p=0.06
Decreased incidence of inflammatory disease (all doses)		
Arthritis	32%	p<0.0001
Ostheoartritis	28%	p=0.0005
Gout	53%	p<0.0001
Biomarker levels (reduction)		
CRP	26-41%	p<0.0001
IL-6	25-43%	p<0.001

Source: Novartis

CAN04 binds both of the ligands, IL-1a and IL-1b

CAN04 differentiates from Canakinumab as the former is an antibody that binds one of the two ligands, IL-1b, while CAN04 binds the common signalling receptor, IL1RAP, and thus counteracts both ligands, implying a potentially broader mechanism of action. As such, Cantargia believes Novartis' study could act as a door opener and increase the attention on the field. Cantargia's ongoing study is also designed for lung cancer as a primary indication.

Studies have also indicated an important role of IL-1 for tumour growth in pancreatic cancer

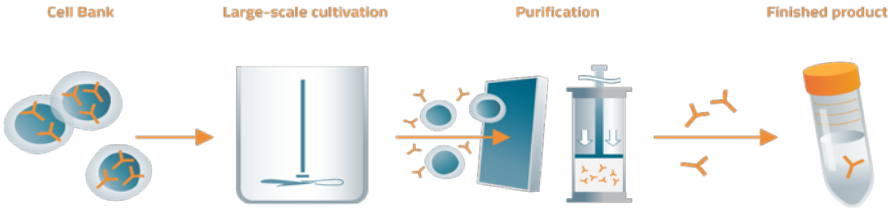
Studies have also shown that inflammation is of importance for tumour progression in pancreatic cancer and that IL-1 signalling has a central role in creating and sustaining a favourable tumour microenvironment (Tjomsland V. et. al (2011), Wörmann SM. et. al (2014) and Zhuang, Z. et. al (2015).

CAN04 properties

CAN04 uses a cell line from BioWa Inc and is produced by Glycotope Biotechnology GmbH

CAN04 is a fully humanised antibody manufactured in a biological production system. It is based on a specific cell-line licensed by BioWa Inc. that enables more potent ADCC activity. Its properties are in line with successful benchmarks and no symptoms of toxicity have been recorded at doses up to 100mg/kg (GLP study). To produce CAN04, cells are cultivated on up to a 1,000 litre scale and then purified in several steps to ensure high purity. Glycotope Biotechnology GmbH (recently acquired by Celonic AG) is handling the manufacturing of the product used in preclinical and clinical trials.

MANUFACTURING PROCESS OF CAN04



Source: Company data

Administration

CAN04 is administered by intravenous infusion over an hour

Patients will be treated by an injection of CAN04 antibodies that will target the tumour and disrupt its complex signalling system. This makes the tumour much more sensitive to an attack by the body's internal immune system, or by other cancer treatments. The drug is diluted in a 0.9% NaCl infusion bag and administered to the patient by intravenous infusion over an hour.

Research design

Last year, Cantargia initiated its first clinical trial with CAN04 in solid tumours. The design of this study is a combined phase I/IIa and results from the first part – dose-escalation with safety assessment – are expected during this summer. After the results, the second phase will start, where patients will receive CAN04 either as a monotherapy or in combination with standard of care in non-small cell lung cancer (NSCLC) or pancreatic cancer. Study results from the second phase are expected during the end of 2019. Cantargia has also entered into a research collaboration with Panorama Research Inc and expects to have a second product candidate finalised during next year for autoimmune and inflammatory diseases.

CANFOUR

Cantargia initiated its first clinical trial with CAN04 in September 2017

In September 2017 Cantargia initiated its first in-human study of CAN04 in patients with solid malignant tumours. The clinical trial is a combined dose escalation/dose expansion phase I/IIa trial divided into two parts. The first part of the study will be carried out in patients with non-small cell lung cancer, pancreatic cancer, colorectal cancer or triple negative breast cancer, while the second part only includes NSCLC and pancreatic cancer patients.

Study is designed as a combined phase I/IIa trial

It is currently ongoing in Norway, Denmark, Belgium and the Netherlands at renowned cancer centres (Radiumhospitalet, Oslo; Rigshospitalet Copenhagen; Jules Bordet Brussels; Erasmus Rotterdam and NKI, Amsterdam). In October 2017 the company announced that the first patient group had formally completed the protocol after receiving three cycles of treatment with CAN04. No serious adverse events were reported.

Study design

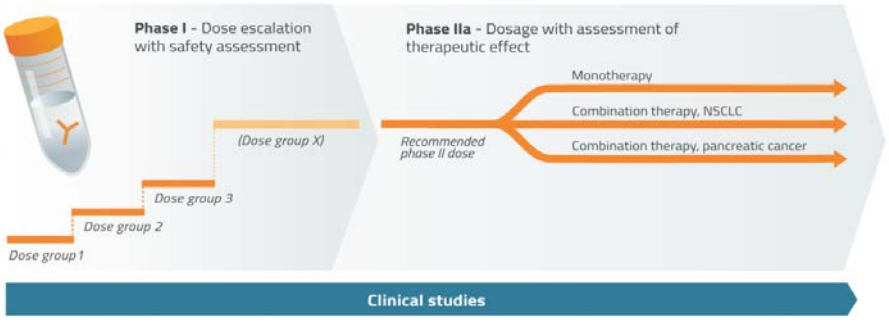
First part is dose escalation in cohorts of three subjects

The first part of the CANFOUR trial is a dose escalation study with safety assessment. Cohorts of three subjects receive once weekly treatment with CAN04. Once all patients have completed their 21-day safety evaluation, the next patient group is recruited. Patients will stay on treatment except in the case of disease progression, unacceptable toxicity, or discontinuation for any other reason.

Second part is divided into three different treatment arms

Based on the recommended phase II dose, the second phase consists of three different treatment arms and primarily aims to establish safety and tolerability, as well as early signs of efficacy. Patients can choose to either receive CAN04 as monotherapy, or in combination with the standard of care in NSCLC or pancreatic cancer.

CAN 04 - CANFOUR CLINICAL TRIAL



Source: Company data

Endpoints

Primary endpoint is safety while secondary endpoints include biomarkers and early

The primary endpoint for the trial is safety. Secondary endpoints include pharmacokinetics, biomarkers and early signs of efficacy. Biomarkers to be studied include IL-1a, IL-1b, IL-6, IL-8, TNF-a, IL-33, IL-1Ra, expression of IL1RAP as well as

signs of efficacy

expression of other IL1RAP associated biomarkers.

Timeframe

Results from the first part expected during summer 2018 and the second part is expected to be finalised during end-2019

The company expects results from the first part of the study to be finalised by the summer of 2018. After the data analysis has been conducted and the recommended dosage has been determined, the second part will immediately follow. It will be divided into three different arms with approximately 25-30 patients in each arm. Each patient will receive CAN04 either as monotherapy, or as a combo together with standard of care. In total the study will enrol about 100 patients, according to the clinical trial protocol, and the estimated primary completion date is September 2019.

Phase IIa

Study design is adaptive and combinations in phase II are to be determined upon initial data analysis

CANFOUR's study design is adaptive and combinations are to be determined upon initial data analysis. Combination therapies are becoming increasingly popular and by expanding the study to include treatment together with current standard of care, Cantargia aims to receive significantly more data and accelerate the development of CAN04. It could also improve the conditions for partnership, in order to take the product candidate further.

Few treatment alternatives within pancreatic cancer

In pancreatic cancer, first line treatment consists of chemotherapy and standard of care includes: FOLFIRINOX (5-FU, leucovorin, irinotecan and oxaliplatin), Gemcitabine and nab-paclitaxel (Abraxane), or Gemcitabine monotherapy. Gemcitabine is a relatively non-toxic chemotherapy drug, but tumours have a tendency to become resistant to the treatment. In particular, patients with high IL-1 seem to respond poorly to treatment (Zuang, Z. et. al, 2016). As such, there could be synergies to gain from a combination therapy, as CAN04 could reverse the effect by blocking the IL-1 system.

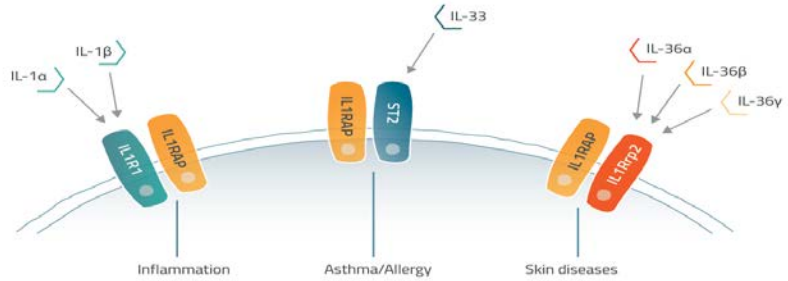
In lung cancer there are three major treatment options: immunotherapy, anti-EGFR/ALK, and chemotherapy. We believe that CAN04 has the potential to be used both in first- and second-line treatment as a combination drug with both chemotherapy and PD-1 inhibitors.

Other indications

Cantargia also sees potential applications for IL1RAP outside oncology, as there are other systems that also signal through IL1RAP. These systems are involved in various autoimmune/inflammatory diseases and could be blocked by Cantargia's antibodies.

ADDITIONAL INDICATIONS FOR CANTARGIA'S ANTIBODIES

Potential to treat other diseases outside oncology



Source: Company data

Entered into development agreement with Panorama Research Inc to develop its next therapeutic candidate

In June, 2017 Cantargia entered into a collaboration agreement with Panorama Research Inc to accelerate Cantargia's development of a second programme and product candidate aimed at autoimmune and inflammatory diseases.

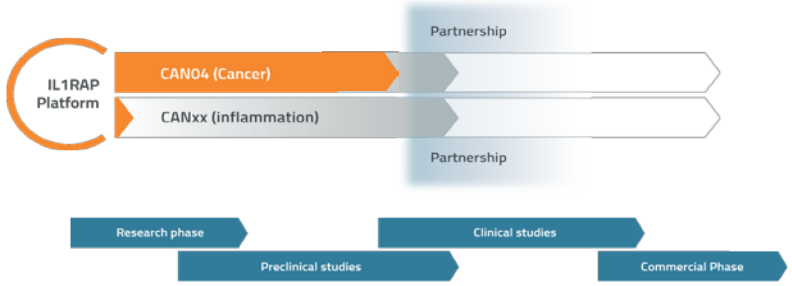
Panorama has experience in optimising and humanising monoclonal antibodies and will help Cantargia develop a new therapeutic candidate. The product candidate is intended to block the activity of inflammatory cytokines, such as IL-33 or IL-36, through the molecular target IL1RAP.

Panorama will share the risk in exchange for a share of future income

CANFOUR partnership could fund development activities within other indications

Panorama will primarily contribute with knowledge and personnel and share the risk in the project in exchange for a share of future earnings. It will also develop a cell line for GMP production. Cantargia will maintain responsibility for the preclinical and clinical development, as well as production, and will not incur any costs associated with developing a therapeutic candidate. Development is expected to be finalised in 2019, which coincides with the completion of the CANFOUR trial. Hence, its clinical development could potentially be funded by an upfront payment from a partnership deal upon positive data readout from the CANFOUR trial.

CANTARGIA PARTNERSHIP STRATEGY



Source: Company data

Market overview

The oncology market is experiencing a rapid expansion of new treatment regimes. In 2017, the market reached global sales of about USD 112bn and it is expected to reach USD 221bn in 2022, implying a growth CAGR of 15%. On a regional basis, the US and Europe account for the lion's share of the market. Cantargia's CAN04, currently under development, targets lung cancer, the indication which is expected to generate the most sales of all indications in the coming years. There are numerous treatment options and combinations to treat non-small lung cancer, but it is expected that immuno-therapies, such as CAN04, will outpace other treatment alternatives in terms of growth and reach a 22% market share in 2022. CAN04 also targets pancreatic cancer and Cantargia also plans to develop a product candidate for treatment of autoimmune and inflammatory disorders.

Cancer overview

Cancer is one of the leading causes of death, responsible for about one out of six deaths globally

Cancer is among the leading causes of death and responsible for about one out six deaths globally. In 2012, there were 14.1 million new cases, 8.2 million deaths and 32.6 million people living with cancer (five-year prevalence) worldwide. In total, cancer consists of about 200 different diseases, which all have in common that cells somewhere in the body have started to divide and grow out of control. Generally speaking, research indicates that two independent events are required for a cancer disease to develop: that normal cells have been damaged, resulting in rapid and uncontrolled cell growth, and that the cells exist in an inflammatory microenvironment, which acts as a breeding ground and protects them from attacks from the body's immune system. Cantargia seeks to target both events, with its lead product candidate CAN04 developed to stop uncontrolled cell growth and to activate the immune system's natural killer cells to destroy the cancer cells. Cantargia also has another product under development, CANxx, developed to treat autoimmune and inflammatory diseases.

Cancer arises from uncontrolled cell growth in an inflammatory microenvironment

Global oncology sales reached USD 112bn in 2017, and are expected to reach USD 221bn in 2022

Data from Evaluate reveals that oncology products sold for USD 112bn globally in 2017, while consensus expects the market to grow at a ~15% CAGR to USD 221bn in 2022. The market is expected to be driven by increased spending, especially in non-small cell lung cancer (NSCLC) and breast cancer. According to Evaluate's consensus data, these two indications are expected to comprise the majority of the entire oncology market in 2022.

The US accounts for the majority of oncology-related spending

Although overall spending is expected to increase within oncology, the amount of spending differs across regions. The US market is expected to grow the most, and to account for roughly half of oncology sales in 2022. Both the US and RoW (rest of world) segment is expected to increase their market share, while EU spending is expected to represent a decreasing proportion of the market (although still growing).

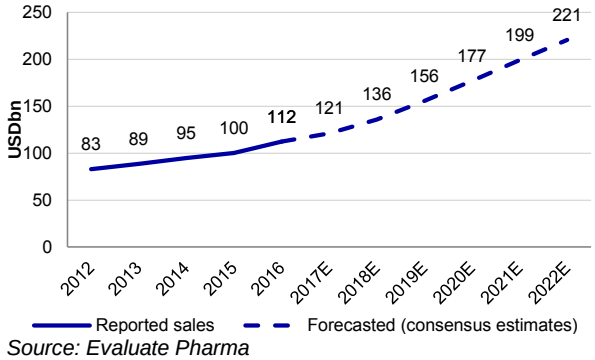
Lung cancer is the single most common cancer type globally, accounting for 13% of all incidents

Europe and Asia have the largest number of incidents, while the mortality rate is highest in Asia

We note that lung cancer is amongst the most prevalent of all cancer incidences, and is also amongst the most fatal. 13% of all cancer incidences are related to lung cancer, while it accounts for 19% of all cancer-related deaths. Europe and Asia (China and East & Central Asia) are the regions in which cancer in general is most prevalent. 24% of all cancer incidents are found in Europe, while 39% are found is Asia. However, the majority of all mortalities occur in Asia, as treatment options seem better and more efficient in Western economies. 44% of all cancer-related fatalities occur in Asia, while 21% occur in Europe and only 9% in North America.

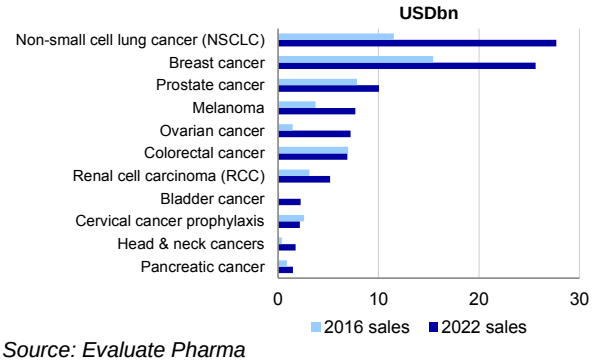
Cantargia is developing a product that targets lung cancer and pancreatic cancer. The company is thus attacking a market which has generated a lot of attention and spending historically, and which is expected to see continued growth in the coming years.

GLOBAL ONCOLOGY SALES



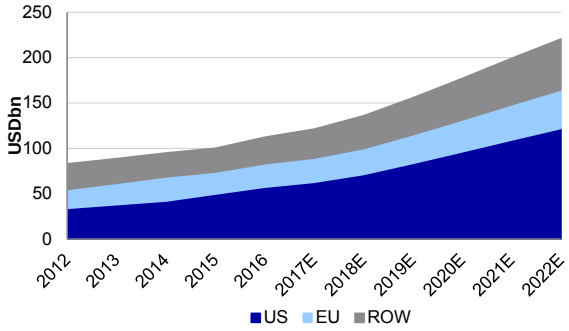
Source: Evaluate Pharma

SOLID TUMOURS GLOBAL SALES PER INDICATION



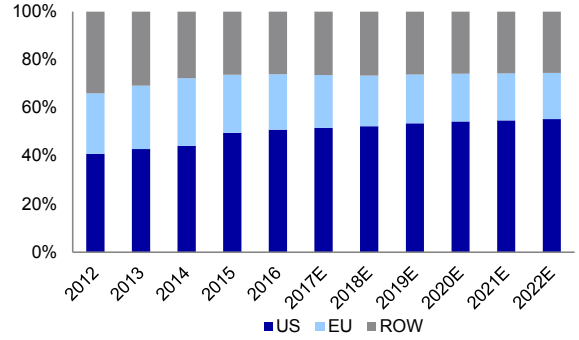
Source: Evaluate Pharma

GLOBAL ONCOLOGY SALES PER REGION



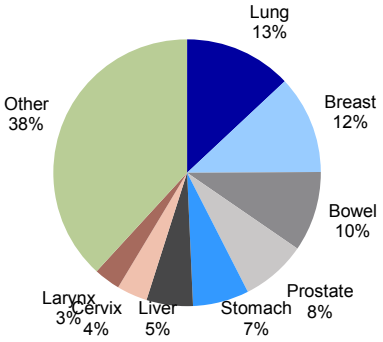
Source: Evaluate Pharma

REGIONAL DIVISION



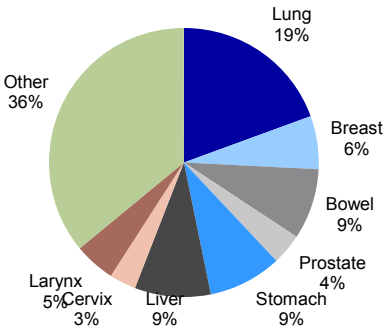
Source: Evaluate Pharma

INCIDENCE BY INDICATION



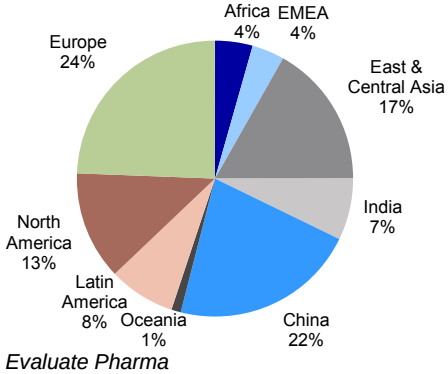
Source: Evaluate Pharma

MORTALITY BY INDICATION



Source: Evaluate Pharma

INCIDENCE BY GEOGRAPHY



Source: Evaluate Pharma

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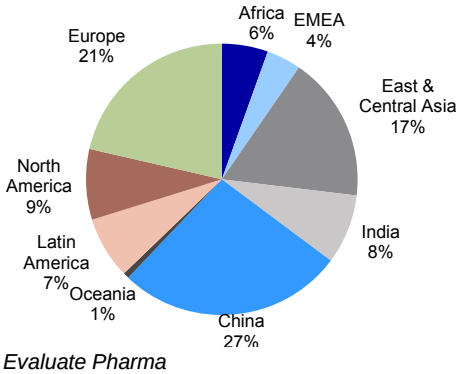


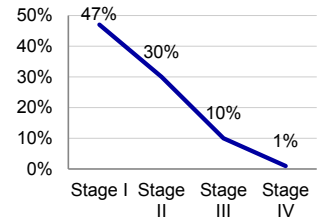
Source: Evaluate Pharma

Non-small cell lung cancer (NSCLC)

~1.8 million new incidents of lung cancer discovered yearly, with ~1.5 million people dying as a result of the disease

Lung cancer is among the deadliest types of cancer, causing 1.5 million deaths globally in 2012. During the same year, 1.8 million new cases were discovered. In the US. The American Cancer Society (ACS) estimates that 234,030 new cases of lung cancer will be discovered during 2018, while mortality will occur in 154,050 cases. The five-year survival rate decreases significantly as the disease progress. For stage I, the five-year survival rate is 47%, 30% for stage II, 10% for stage III and 1% for stage IV. According to ACS, 80-85% of all lung cancers are NSCLC, while the rate is 87% in the UK, making it the most prevalent lung cancer type by far.

FIVE-YEAR SURVIVAL RATE



Source: ACS and Nordea Markets

The disease starts when cells in the lungs become damaged and begin to grow uncontrollably. As the cells grow and more cancer cells develop, a tumour, which can also spread to other parts of the body, is formed. Lung cancer is difficult to treat, as indicated by the high mortality rate, which makes it an area with significant medical needs. Currently, the disease is treated with surgery, chemotherapy and immuno-oncology therapies targeting the PD-1 molecule.

Four NSCLC antibody treatments currently sold globally

Currently, four antibody treatments for NSCLC are sold globally, according to Evaluate data: Merck & Co's Keytruda, Bristol-Myers Squibb's Opdivo, Roche's Tecentriq and AstraZeneca's Imfinzi. These treatments are also used in applications other than NSCLC, much like CAN04 is applicable for several indications. The following sales figures are for the global sales across all indications for each individual treatment.

Keytruda, Opdivo, Tecentriq and Imfinzi

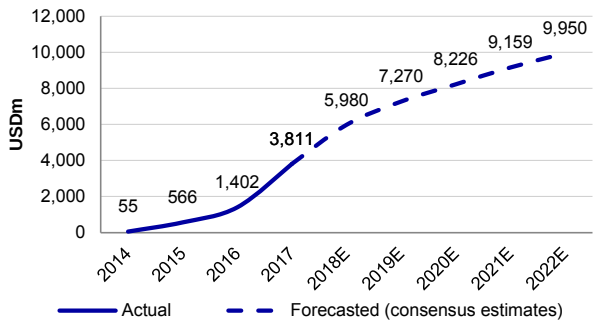
Keytruda sold for USD 3.8bn in 2017 and is expected by consensus estimates to grow at a 21% CAGR, thus reaching USD 10.0bn in 2022. Opdivo reached sales of USD 4.9bn in 2017 and is expected (consensus) to sell for USD 8.2bn in 2022, growing at an 11% CAGR. Opdivo has the largest market share currently, but is expected to be surpassed by Keytruda in 2018. The first sales of Tecentriq were recorded in 2016, and it sold for USD 482m in 2017. Tecentriq is expected to reach USD 3.7bn in global sales in 2022. AstraZeneca's Imfinzi was launched during 2017, and reached USD 17m in sales. Global sales are forecast to reach USD 2.6bn in 2022.

The immuno-oncology treatments are expected to outpace the total NSCLC market, with a market share of 51% in 2022, compared to 43% in 2017

In total, these four immuno-oncology products, specifically targeting PD-1, sold for USD 9.1bn in 2017, and are expected to reach USD 24.6bn in 2022, growing at a 22% CAGR. In contrast, GlobalData estimates that the total immuno-oncology market will reach USD 75.8bn by 2022, up from USD 16.9bn in 2015. The PD-1-targeting products are thus expected to grow in line with the total spending in immunotherapies.

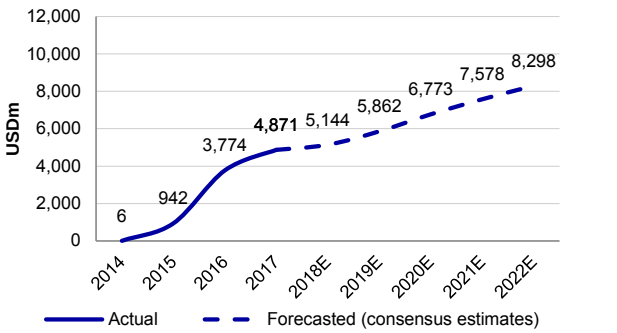
In the NSCLC market, spending amounted to USD 14.0bn in 2017, with immuno-oncology based products capturing ~43% of the total market. According to Evaluate, consensus expects immuno-oncology to expand its NSCLC market share, reaching ~51% in 2022. With a 19% CAGR, the immuno-oncology products are expected to outpace the total NSCLC market, which is forecast to develop at a 15% CAGR from 2017-22.

GLOBAL KEYTRUDA SALES (MERCK & CO)



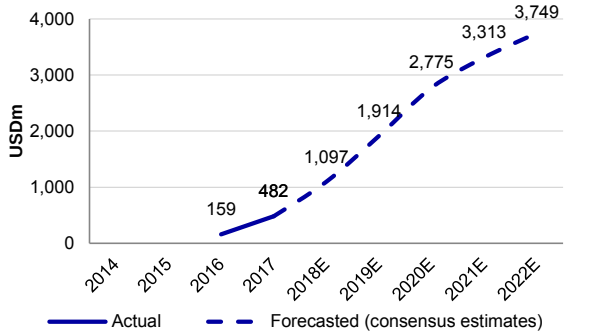
Source: Evaluate Pharma

GLOBAL OPDIVO SALES (BRISTOL-MYERS SQUIBB)



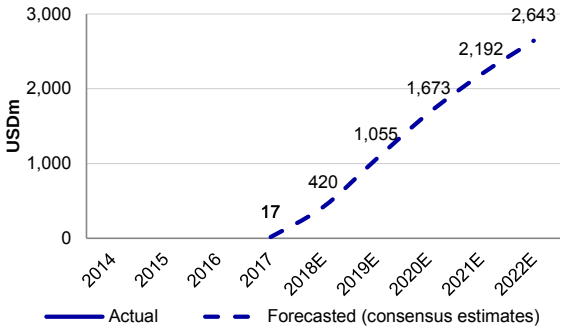
Source: Evaluate Pharma

GLOBAL TECENTRIQ SALES (ROCHE)



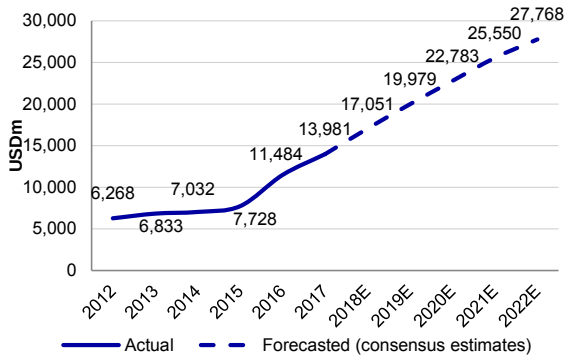
Source: Evaluate Pharma

GLOBAL IMFINZI SALES (ASTRAZENECA)



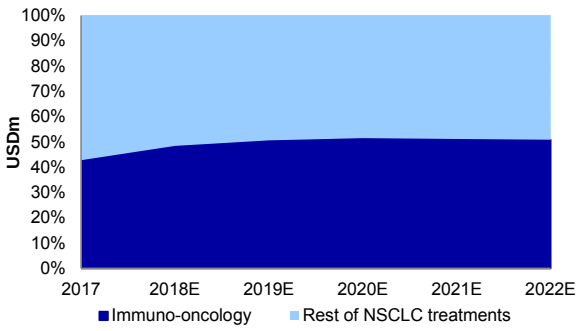
Source: Evaluate Pharma

GLOBAL SALES IN THE NSCLC MARKET



Source: Evaluate Pharma

MARKET SHARES IN THE NSCLC MARKET

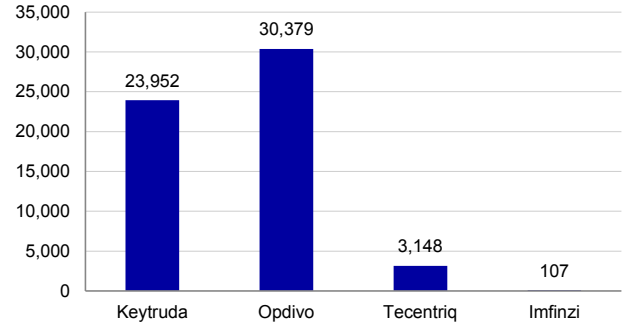


Source: Evaluate Pharma

We estimate that the total number of lung cancer treatments with PD-1 targeting immuno-oncology products was 57,586 in 2017

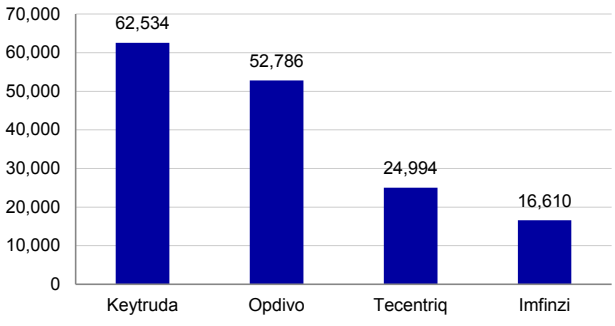
According to IMS, the monthly treatment costs per person of these four products vary between USD 12,500 and USD 13,100, indicating an annual treatment cost of USD 150,000-157,200. By dividing total spending of each product by the annual cost per treatment, we estimate that the total number of lung cancer treatments with PD-1 targeting immuno-oncology products was 57,586 in 2017. We estimate that the number will reach 156,924 total treatments in 2022 using inflation-adjusted treatment costs.

ESTIMATED NUMBER OF TREATMENTS IN 2017



Source: Nordea estimates

ESTIMATED NUMBER OF TREATMENTS IN 2022



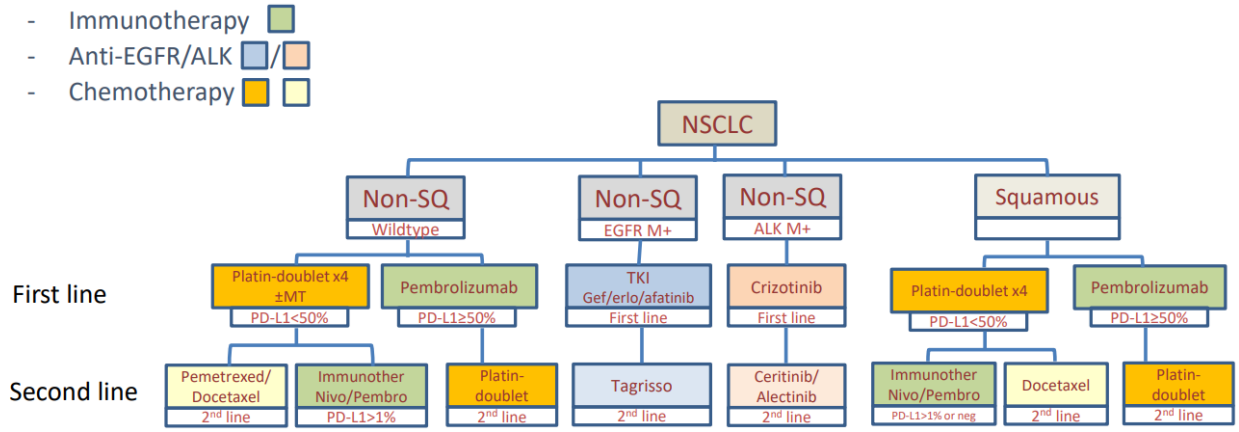
Source: Nordea estimates

Standard of care in NSCLC

Standard of care currently involves three options: immunotherapy, anti-EFGR/ALK and chemotherapy

The current standard of care in NSCLC consists of three major treatment options: immunotherapy, anti-EFGR/ALK and chemotherapy. The immunotherapy options consist of Keytruda (pembrolizumab) and Opdivo (nivomulab), the first of which is found in both the first and second lines of treatments.

CURRENT REGIMENS IN TREATMENT OF NSCLC



Source: Company data, adapted from Dr M Mau-Sørensen at Rigshospitalet, Copenhagen, Denmark

CAN04 is expected to become part of a second generation of antibody treatments and to be utilised in combination therapies, a likely future standard of care for cancer treatment

Cantargia believes that CAN04 could become part of a second generation of more potent antibody treatments in NSCLC and that it is likely to be utilised in combination therapies. These treatments have in recent years become focus areas for some of the biggest pharma companies, in particular Bristol-Myers Squibb, as there has been a growing belief that these treatments will eventually become the standard of care for cancer treatment. As pharma companies have positioned themselves in anticipation of this development they have hunted for combination therapy candidates. This has led to a rapid increase in the number and value of deals in the immuno-oncology space. As a consequence of the challenging nature of the discovery of effective combinations, high-potential candidates can generate substantial value quite early in the clinical stage. With a dual mechanism of action, CAN04 should thus be able to generate interest as a component in combination therapies. Considering the recently documented anti-metastatic effect presented at the AACR conference, we believe that CAN04 could be used in combination with both chemotherapy and PD-1 inhibitors and thus be an option in both first- and second-line treatment.

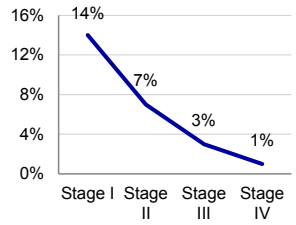
Pancreatic cancer

Pancreatic cancer is difficult to treat, as it is often first discovered at an advanced stage

Pancreatic cancer is the second area of focus within Cantargia's clinical development of CAN04. The cancer is extremely difficult to treat, as it is most often discovered at a late stage. Due to late discovery, the cancer has in many cases spread to other organs, making removal by surgery difficult. It is most often treated by a combination of multiple chemotherapies, radiotherapies and surgery if possible.

Surgery is the only current option to completely cure the patient. Surgery is however often not possible if the disease has reached an advanced state

FIVE-YEAR SURVIVAL RATE



Source: ACS and Nordea Markets

The disease occurs when cells in the pancreas begin to grow and multiply extensively, thus forming a tumour. The pancreas is located physically behind the stomach, and symptoms are rarely present in the early stages. Pancreatic-cancer-specific symptoms first develop when the disease has progressed to an advanced stage, and may include yellow skin, abdominal pain and weight loss. The pancreas has two types of cells: exocrine and endocrine cells. Most cells are exocrine and produce enzymes used in digesting food. Endocrine cells release insulin and glucagon into the blood, which helps control the blood sugar level. More than 95% of pancreatic cancer indications are related to exocrine cells, with the remaining 5% to endocrines. Symptoms, diagnostic tests, treatments and outlooks differ widely between the two types. ACS estimates that 55,440 new cases of pancreatic cancer are discovered every year in the US, and that 44,330 patients die yearly from the disease.

The survival rate of pancreatic cancer is low, with a 14% five-year survival rate for a stage I pancreatic cancer type. The rate declines to 7% for stage II, 3% at stage III and 1% at stage IV.

Inflammation has proven to play an important part in tumour growth

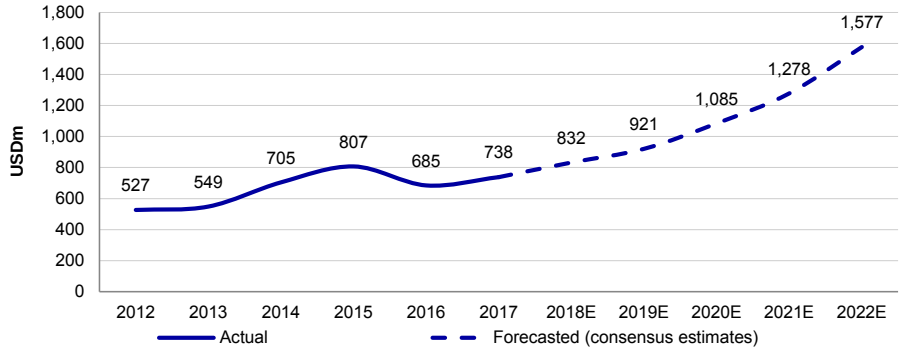
It has been proven that inflammation plays an important part in tumour growth within the pancreas, and that the interleukin-1 (IL1) molecule significantly affects the growth. Cantargia's CAN04 is designed to make the specific cell unable to signal via the interleukin-1 system, which limits the prevalence of inflammation. Currently,

surgery is the only way to completely treat the patient. Surgery is however extremely difficult to perform on pancreatic cancer, and according to an Ipsos Healthcare survey amongst oncologists in the US and Europe, pancreatic cancer was perceived as the most in need of new treatment alternatives amongst all cancer types.

Global pancreatic cancer sales were USD 738m in 2017, and are expected to grow at a 16% CAGR in 2017-22

According to Evaluate data, global sales within the pancreatic cancer market were USD 738m in 2017, and forecasted to grow at a 16% CAGR to USD 1.6bn in 2022. The acceleration in sales is primarily driven by innovation of new products, with eight new products, currently under development, factored into the consensus forecast.

GLOBAL SALES IN THE PANCREATIC CANCER MARKET



Source: Evaluate Pharma

Acute Myeloid Leukaemia (AML)

IL1RAP molecule is present on both leukemic stem cells and mature cancer cells

Research performed by Cantargia and its founders has shown that the IL1RAP molecule is present on both leukemic stem cells and mature cancer cells. The research found that these cancer cells can be killed by targeting the molecule with antibodies, such as CAN04.

AML is the most common acute leukaemia disease. It arises from too rapid production of white blood cells in the bone marrow

Acute myeloid leukaemia is the most common of all acute forms of leukaemia. The disease arises due to genetic damage, and causes rapid production of white blood cells. These accumulate in the bone marrow, which interferes with the normal production of blood cells. As the disease progresses, the body will produce more leukemic cells, at the expense of healthy red and white blood cells. A lack of red blood cells prohibits transportation of oxygen to the organs, while a lack of white blood cells weakens the immune system. The disease progresses extremely rapidly, and can cause mortality within a few months if left untreated.

The five-year survival rate of AML is ~26%

The American Cancer Society estimates that 19,520 new cases of AML will arise in the US during 2018, while AML will cause 10,670 deaths. In the UK, there are approximately 3,100 new cases each year, at a slightly lower prevalence than the US, when adjusted for population size. The five-year survival rate for AML is ~26%.

The majority of AML patients are treated with chemotherapy. However, new targeted therapies have recently become available, with Novartis' Midostaurin reaching USD 66m in sales during 2017. These therapies work by specifically targeting and attacking the genetic changes seen in AML.

Immuno-therapy has gained increasing interest as a potential AML treatment alternative, with the recent FDA approval of two CAR-T treatments

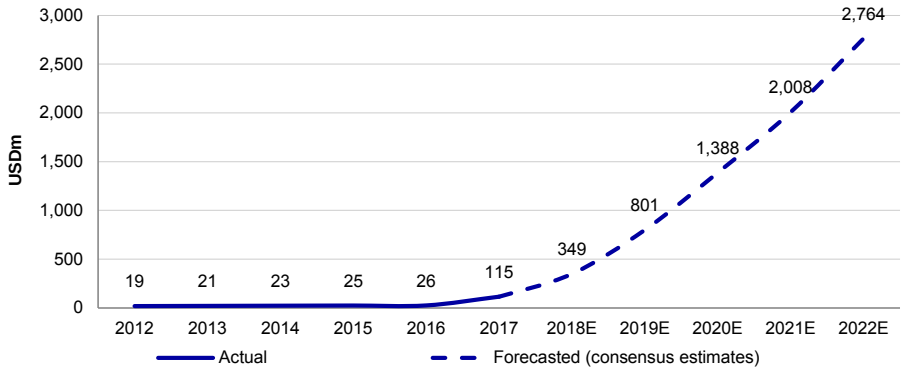
Cantargia's CAN04 is an immuno-therapy product, a new field within AML treatment. Recently, the FDA approved two immuno-therapy treatments named CAR-T cell therapy: one for the treatment of children with acute lymphoblastic leukaemia and another for adults with lymphomas. In this treatment, T-cells are removed from the patients' blood, modified and grown in a laboratory to target the specific leukemic cancer cells. Afterwards, the modified T-cells are infused back into the patient, where they target and attack the cancer cells. T-cells are essential in the immune system, as they identify and kill any threats. The method has shown promising results in tests performed on patients where other treatments have failed. These results have contributed to increased interest for immuno-therapies as potential AML treatment.

The global sales for AML-related treatments reached USD 115m in 2017. According to consensus data collected by Evaluate, the market is expected to grow at an 89%

CAGR to USD 2.8bn in 2017-22.

GLOBAL SALES IN THE AML MARKET

Global AML sales reached USD 115m in 2017, and are expected to grow quickly to reach USD 2.8bn in 2022



Source: Evaluate Pharma

Autoimmune and inflammatory diseases

Autoimmune diseases arise from overproduction of antibodies in the immune system...

Cantargia's CAN04 has shown potential within various forms of cancer, and its platform offers the potential to develop other antibodies against the IL1RAP-molecule, according to the company. Currently, an antibody that works against autoimmune and inflammatory diseases is under development.

...making the immune system attack healthy tissue, which often causes inflammation

Autoimmune diseases arise from extreme activity in the immune system, in which the body overproduces antibodies that were originally intended to fight diseases. However, the overproduction causes the antibodies to attack healthy tissues, often resulting in inflammation. As the immune system weakens, the body also becomes increasingly vulnerable to other diseases and infections. Autoimmune and inflammatory diseases include several diseases such as rheumatoid arthritis, systemic sclerosis and psoriasis.

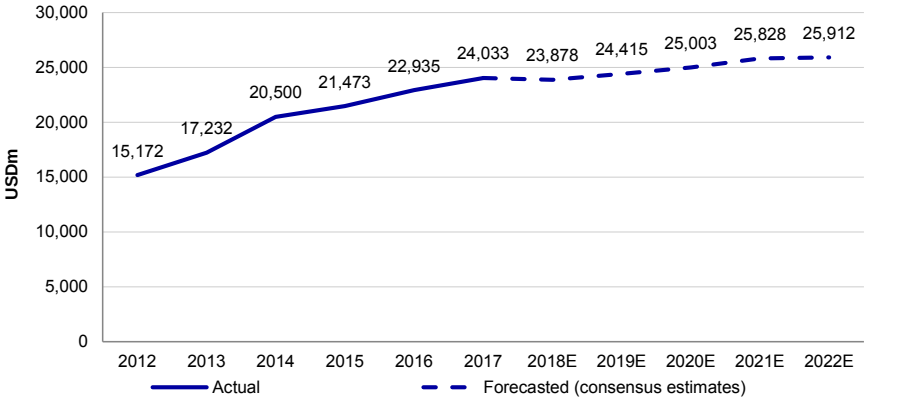
Development of Cantargia's CANxx product was initiated in 2017, and is expected to move into the development phase in 2019

Cantargia's development project, CANxx, was initiated during 2017, with the aim of identifying a clinical candidate and moving into the development phase in 2019. The aim is to develop an antibody which can prevent the IL1RAP-molecule to transfer signals from the cytokines IL-1, IL-33 and IL-36, which are important causes in several autoimmune and inflammatory diseases. The IL-1 molecule is present in several autoimmune and inflammatory diseases, while IL-33 is involved in asthma/allergies and IL-36 is involved in several autoimmune and inflammatory skin diseases. By blocking the signal, CANxx enables treatment of such diseases.

Data collected by Evaluate shows that global sales within the treatment of autoimmune and inflammatory diseases were USD 24.0bn in 2017. The market is expected to reach USD 25.9bn in 2022, growing at a 1.5% CAGR.

GLOBAL SALES FOR AUTOIMMUNE AND INFLAMMATORY DISEASES

Global sales within autoimmune and inflammatory diseases were USD 24bn in 2017



Source: Evaluate Pharma

Benchmarking

Cantargia pursues a strategy of finding partners to commercialise its product candidates. It is thus relevant to benchmark the company against its peers and the deals they have struck when evaluating Cantargia's commercial potential. The CANTOS trial that Novartis completed in 2017 validated CAN04's IL-1 pathway and should plausibly increase partnership interest. The company's niche in immuno-oncology, the strongest growing pharmaceutical segment in recent years, has seen a flurry of deals as companies hunt for combination therapy components. Several deals in Cantargia's specific field indicate substantial value potential given clinical success, and Cantargia's unique patent situation could justify a premium in a potential deal after the completion of CANFOUR in 2020.

Cantargia's strategy is to find a partner for its projects after the first clinical stages...

Cantargia's strategy is to take its product candidates through the initial stages of the clinical development. The aim is to be in a position for a partner to take over and continue the development of the project in a time-efficient manner, thus avoiding a launch delay.

...making benchmarking highly relevant

Considering this strategy, it is highly relevant to benchmark the company against peers with comparable out-licensing deals as well as outright company acquisitions when evaluating Cantargia's commercial potential.

Recent deals in the space indicate substantial value given success in the clinic

There are a number of relevant deals that have taken place in the immuno-oncology space in the last few years that indicate the substantial value that could be unlocked for Cantargia on the condition of a successful CANFOUR study.

We consider the implications of the CANTOS trial, and provide examples of relevant deals as well as a case study of Nektar Therapeutics

In this section we will consider the CANTOS trial that Novartis completed in 2017 and its implications for Cantargia. We will also provide a general overview of the global deal activity in the pharma space and take a closer look at some more relevant data for Cantargia's indications. In addition, we will provide a more detailed description of a selection of relevant deals in the space and consider the case of Nektar Therapeutics, a company which shares a lot of characteristics with Cantargia.

Cantargia's unique patent situation could justify a premium in a future deal

An important point to consider when evaluating Cantargia's potential compared to many of the deals outlined below is the patent situation. Cantargia's patent protection of not only its antibody but also the use of Il1RAP as its target molecule is rather unique and could in our view motivate a premium in a potential deal.

Novartis' CANTOS trial

The CANTOS trial showed impressive results regarding its effect on lung cancer and represents clinical validation of the IL-1 pathway

The CANTOS trial – see Scientific Concept section for more details – conducted by Novartis was a large study with over 10,000 patients designed to reduce cardiovascular events in patients with previous myocardial infarction by giving patients Canakinumab. Despite the cardiovascular focus, the results were impressive regarding lung cancer with incidence reduced by 67% and death by 77%. The relevance for Cantargia of this trial is that it represents a clinical validation of the IL-1 pathway by an external party.

Novartis aims to start three phase III trials in NSCLC, and CAN04 plausibly has higher potential than Canakinumab

Novartis is sufficiently enthusiastic about the potential of Canakinumab that it aims to start three phase III trials in NSCLC. Considering that Canakinumab is an antibody directed against only one of the two IL-1 ligands, while CAN04 counteracts both ligands as well as induces killing of the tumour via the immune system, we believe Cantargia's claim that CAN04 has higher potential than Canakinumab seems plausible.

CAN04 could become part of a second generation of more potent antibody treatments

While Canakinumab is further along in its development with phase III trials upcoming, CAN04 could become part of a second generation of more potent antibody treatments, likely utilised in combination therapies. The results of Novartis' phase III trials will be key triggers for Cantargia in that they could further validate the Il-1 pathway in oncology. In addition, Novartis is currently conducting a separate phase I

Novartis has several

upcoming studies with results potentially acting as triggers for interest in Cantargia

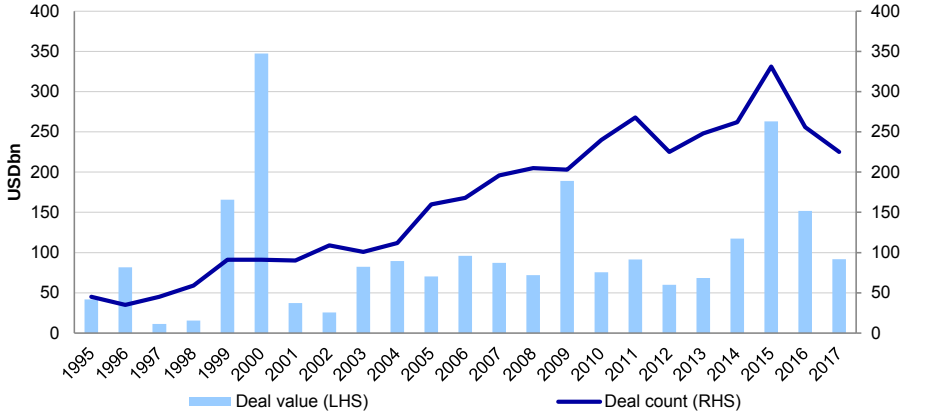
study in which Canakinumab is combined with a PD-1 inhibitor. Results of this study are expected in Q1 2020 and a positive outcome could further increase the interest from potential partners for CAN04, which is expected to be the subject of a partnership deal in 2020.

Global deal activity

2015 represented a peak year in global deal activity but the start of 2018 has been strong with USD 38bn worth of deals YTD

Looking at global trends in the pharma and medtech industry, 2015 stands out in recent years with more than USD 260bn in 331 M&A deals. The biggest deal during 2015 was the USD 70.5bn acquisition of Allergan by Actavis (renamed Allergan after the acquisition). The subsequent years saw y/y declines in both deal value and count, albeit from the rather elevated level in 2015, but the start of 2018 has been strong with more than USD 38bn worth of deals YTD (as of 23 March). Sanofi's USD 11.6bn acquisition of Bioverativ and Celgene's USD 9bn acquisition of the CAR-T specialist Juno Therapeutics stand out as the biggest transactions so far and account for more than half of the deal value YTD.

ANNUAL GLOBAL DEAL VALUE AND DEAL COUNT IN PHARMA AND MEDTECH



Source: Evaluate

Immuno-oncology segment

Immuno-oncology is growing rapidly with high deal activity as companies seek to assemble potential components for combination therapies

Cantargia's niche, immuno-oncology, has become the strongest growing pharmaceutical segment in recent years and accounted for 32 of the 35 multi-billion dollar oncology licensing deals of the last five years. A common driver of most immuno-oncology deals has been an attempt by pharma companies to assemble potential components of next-generation combination therapies to augment or supplant the checkpoint-inhibitor therapy.

The average value of deals in phase II within immuno-oncology was USD 601m in 2015-16

Regarding the value of the deals in this space, Defined Health found that the average licensing deal in 2015-16 for immuno-oncology projects in phase II was USD 601m with an average upfront payment of USD 130m. The licensing landscape is dominated by early-stage discovery deals, with 63% of deals in the preclinical or research phase compared to 40% in non-immuno-oncology deals within oncology.

Average deal value in phase II projects in immunology between 2008-17 was USD 432m with an upfront payment of USD 55m

Using data from Evaluate, we find that the average deal value for projects in phase II within immunology between 2008 and 2017 was USD 432m, with an average upfront payment of USD 55m. The corresponding numbers for the median deal values are USD 225m and USD 34m respectively.

Looking more specifically at the highly relevant subcategory – PD-1 inhibitor deals – we see that of the deals with disclosed numbers, the average deal value was USD 522m with an upfront payment of USD 124m.

PD-1 LICENSING DEALS

Year	Company	Deal Type	Product	Deal Partner	Status on Deal Date	Upfront Payment (USDm)	Deal Value (USDm)
2017	Incyte	In-licensed	MGA012	MacroGenics	Phase I	150	900
2016	Laboratoires	In-licensed	STI-A1110	Therapeutics	Pre-clinical	28	816
2015	Incyte	In-licensed	10	Medicine	Pre-clinical	25	795
2015	Sanofi	In-licensed	REGN2810	Pharmaceuticals	Phase I	650	1,025
2014	TESARO	In-licensed	TSR-042	AnaptysBio	Pre-clinical	17	115

Source: Evaluate

Selection of relevant deals

Acquisition of Cormorant Pharmaceuticals by Bristol-Myers Squibb – July 2016

BMS acquired Cormorant for USD 95m+425m – its lead candidate has a mechanism of action similar to that of CAN04

In July 2016, Bristol-Myers Squibb acquired Cormorant Pharmaceuticals for a USD 95m upfront payment and USD 425m in milestones. Cormorant, then in phase I, is developing HuMax-IL8, an antibody treatment that blocks IL-8, a cytokine that is dependent on IL-1 and thus has a mechanism of action similar to that of CAN04.

Bristol-Myers Squibb has been actively looking for drug candidates that it can use in combination therapies with its checkpoint inhibitors in recent years, and its management has stated that it saw the acquisition as providing a potentially complementary immuno-oncology mechanism of action to T-cell directed antibodies and co-stimulatory molecules.

Out-licensing of Janssen's CNTO 7160 by GSK - July 2016

GSK licensed the antibody in phase I from Janssen for up to USD 230m

In July 2016, GlaxoSmithKline bought the global rights to an experimental antibody drug, which was in phase I of clinical development, from Johnson & Johnson's Janssen unit for up to USD 230m in an upfront payment and milestones. Janssen will also be entitled to tiered royalties and further payments depending on the drug's sales.

The drug prevents IL-33 from binding to ST2, a system that signals through IL1RAP

The antibody, CNTO 7160, is a biological therapy that prevents IL-33 from binding to the ST2 receptor (IL-33R) and could be applicable to a broad spectrum of severe asthmatic populations. The ST2 receptor is one of the three different systems that signal through IL1RAP – Cantargia's target molecule.

Nektar Therapeutics case study

Nektar is a biopharma company with a pipeline in oncology, immunology and pain

Nektar Therapeutics is a biopharmaceutical company with a wholly-owned R&D pipeline of investigational medicines in oncology, immunology and pain as well as a portfolio of approved partnered medicines. The company is headquartered in San Francisco, California and has a market capitalisation of USD ~17bn.

Similar to Cantargia, Nektar has projects in both immuno-oncology and auto-immune diseases

Nektar has come further in its development than Cantargia, with eleven projects in the pipeline of which three are in phase III trials. Considering the portfolio differences, direct valuation comparisons are misleading but the companies share many similarities as Nektar has several projects in both immuno-oncology and auto-immune diseases. Both are also likely to see their drugs being utilised as part of combination therapies.

It has multiple ongoing partnership agreements

Nektar has already made significant progress in this regard as it has multiple ongoing partnership agreements with companies such as Bristol-Myers Squibb, Takeda and Eli-Lilly.

Unlike Cantargia, Nektar targets the IL-2 pathway

A significant scientific difference between the companies is that they have chosen different pathways, as Nektar targets the IL-2 pathway while Cantargia targets the IL-1 pathway.

Below we provide more detailed information regarding some of Nektar's relevant projects and details about its partnership deals.

Bristol-Myers Squibb – NKTR-214 (immuno-oncology)

BMS and Nektar entered into a clinical collaboration in 2016

In September 2016, Nektar entered into a clinical collaboration with Bristol-Myers Squibb to evaluate NKTR-214 as a potential combination treatment regimen with

to evaluate NKTR-214's potential in combination therapies

Opdivo in five tumour types and eight potential indications. The phase I/II PIVOT clinical trials, known as PIVOT-02 and PIVOT-04, will enrol up to 260 patients and will evaluate the potential for the combination of Opdivo and NKTR-214 to show improved, sustained efficacy and tolerability above the current standard of care in melanoma, kidney, triple-negative breast cancer, bladder and non-small cell lung cancer patients.

In February 2018, the companies announced a global licensing deal for NKTR-214 with BMS

On 14 February 2018, Nektar and Bristol-Myers Squibb announced a global development commercialisation collaboration regarding NKTR-214. The deal was a record-breaker, involving the largest biotech licensing fee in history according to FierceBiotech. The terms of the agreement involves the following elements:

- Collaboration to evaluate the full potential of NKTR-214 plus Opdivo across numerous tumours, based on promising early data from ongoing phase I/II PIVOT clinical study.
- Establishes a broad joint clinical development plan combining NKTR-214 with Opdivo and Opdivo plus Yervoy in registration-enabling trials in more than 20 indications across nine tumours.

The deal involves a USD 1.85bn upfront payment, making it the largest biotech licensing fee in history

- Bristol-Myers Squibb to pay Nektar USD 1.85bn upfront, composed of USD 1.0bn in cash and the purchase of ~8.28 million shares of Nektar stock at USD 102.60 per share, indicating a USD 850m equity investment at a 36% premium.
- Companies to share global profits on NKTR-214, with Nektar receiving 65% and Bristol-Myers Squibb 35%.

Global profits will be shared 65-35 in Nektar's favour

- Nektar to book revenue for worldwide sales of NKTR-214 and retain the ability to develop NKTR-214 with other anti-cancer agents.
- Bristol-Myers Squibb obtains exclusive rights in 20 indications across nine tumours included in the joint clinical development plan for a specified time period.

Takeda – NKTR-214 (immuno-oncology)

NKTR-214 is part of a research collaboration with Takeda to explore combinations with oncology compounds

In May 2017, Nektar entered into a research collaboration with Takeda to explore the combination of NKTR-214 with five oncology compounds from Takeda's cancer portfolio including a SYK-inhibitor and a proteasome inhibitor. The collaboration will explore the anti-cancer activity of NKTR-214 combined with five different targeted mechanisms in preclinical tumour models of lymphoma, melanoma and colorectal cancer to identify which combination treatment regimens show the most promise for possible advancement into the clinic.

Under the terms of the collaboration, the companies will share the costs of the preclinical studies and each will contribute their respective compounds to the research collaboration. Nektar and Takeda will each maintain global commercial rights to their respective drugs and/or drug candidates.

Eli-Lilly – NKTR-358 (autoimmune diseases)

A strategic collaboration with Lilly around NKTR-358 includes an upfront payment of USD 150m and milestone payments of USD 250m

In July 2017, Nektar entered into a strategic collaboration with Lilly to develop and commercialise NKTR-358. Under the terms of the agreement, Nektar will receive an initial payment of USD 150m and is eligible for up to USD 250m in additional development and regulatory milestones. Lilly and Nektar will co-develop NKTR-358 with Nektar responsible for completing phase I clinical development. The parties will share phase II development costs: 75% Lilly and 25% Nektar. Nektar will have the option to participate in phase III development on an indication-by-indication basis. Nektar has the opportunity to receive royalties, which increase commensurate with their phase III investment and product sales. Lilly will be responsible for all costs of global commercialisation. Nektar will have an option to co-promote in the US under certain conditions.

NEKTAR THERAPEUTICS' R&D PIPELINE

Project	Indication/Research focus	Partner/Collaboration	Stage
NKTR-181	Chronic low back pain	Unpartnered	Phase III
ONZEALD	Advanced breast cancer and brain metastases	Unpartnered	Phase III
PEGPH20	Pancreatic cancer	Halozyme	Phase III
Dapirolizumab Pegol (Anti CD40L)	Systemic lupus erythematosus	Biogen and UCB	Phase III
NKTR-214 in combination with OPDIVO	Immuno-oncology	Bristol-Myers Squibb	Phase II
NKTR-214 in combination with TECENTRIQ or KEYTRUDA	Immuno-oncology	Unpartnered	Phase II
NKTR-214 (single agent)	Immuno-oncology	Unpartnered	Phase I
NKTR-358	Autoimmune Disease	Lilly	Phase I
NKTR-262	Immuno-oncology	Unpartnered	Phase I
NKTR-214 in combination with Takeda oncology compounds	Immuno-oncology	Takeda	Preclinical
NKTR-255	Immuno-oncology	Unpartnered	Preclinical

Source: Nektar Therapeutics

Historical financials

Cantargia is in the early stages of its development and is not yet generating revenue. Costs have been on the rise as operational activities have moved from the preclinical stage into the first clinical trial for the company's product candidate CAN04. Cantargia's funding has historically been dependent on issuing new equity and the cash position was significantly strengthened at the end of 2017 by means of a combined directed issue and a rights issue of SEK 232m before costs. Management expects that current cash at hand will be sufficient to cover planned activities until 2020.

Company financials

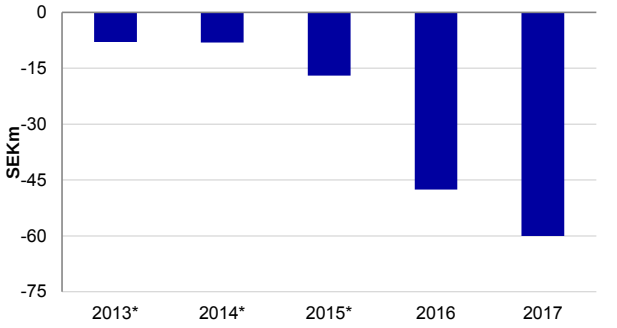
Cantargia is in a resource-intensive phase having just entered into clinical trials with its CAN04 product candidate

As Cantargia is a life science company in the early stages of its development, it is not yet generating revenue. Consequently, the company has reported losses since its inception and costs are trending upwards as activities have ramped up, with the product candidate CAN04 recently having entered into its first clinical trial. Operating income thus declined from SEK -47.6m in 2016 to SEK -60.0m in 2017.

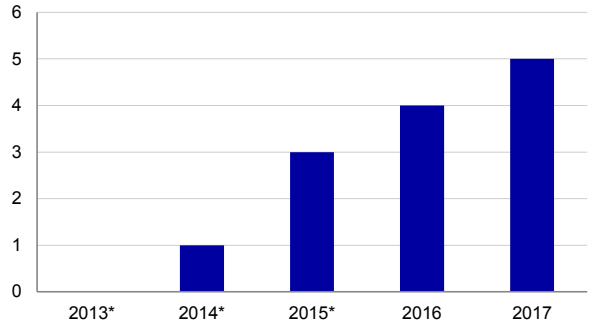
Cantargia operates with a small headcount, with the average number of employees at just five in 2017. However, in addition to its employees, the company employs a number of consultants on a continuous basis.

In conjunction with its Q4 2017 report the company started implementing IFRS accounting and also restated its 2016 and 2017 numbers. This means that the years prior to 2016 are not fully comparable with the numbers for the subsequent years.

OPERATING INCOME



AVERAGE NUMBER OF EMPLOYEES



**Denotes years for which numbers have not been restated in accordance with IFRS*

Source: Company data and Nordea Markets

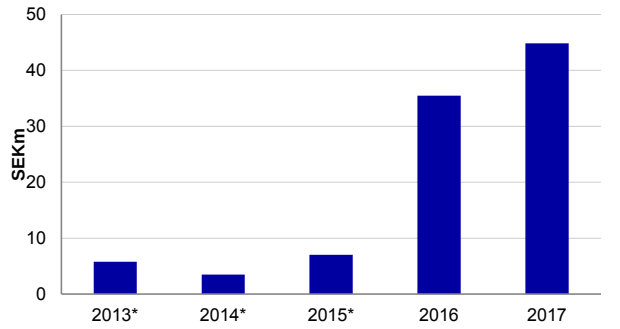
Source: Company data and Nordea Markets

Company cost structure

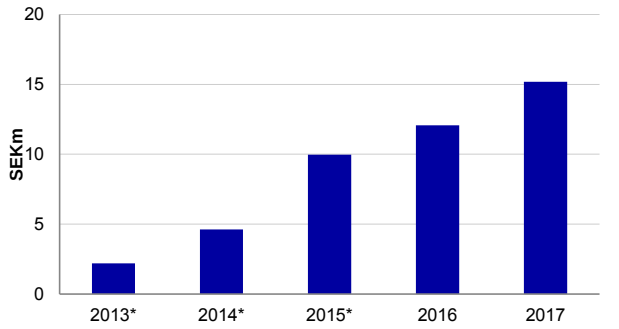
Costs are trending upwards as the company has started clinical trials

Cantargia's operational costs have been rising in recent years as its preclinical efforts have been successfully completed. Furthermore, its product candidate CAN04 recently moved into the clinical stage. Both R&D and SG&A costs are subsequently on the rise: R&D costs increased from SEK 35.5m in 2016 to SEK 44.8m in 2017 and SG&A costs rose from SEK 12.1m to SEK 15.2m in the same period.

R&D COSTS



SG&A COSTS



**Denotes years for which numbers have not been restated in accordance with IFRS.*

Source: Company data and Nordea Markets

Source: Company data and Nordea Markets

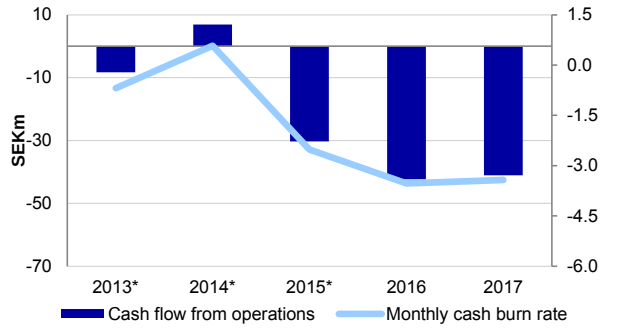
Company cash flow

The company's monthly cash burn rate was SEK 3.4m during 2017

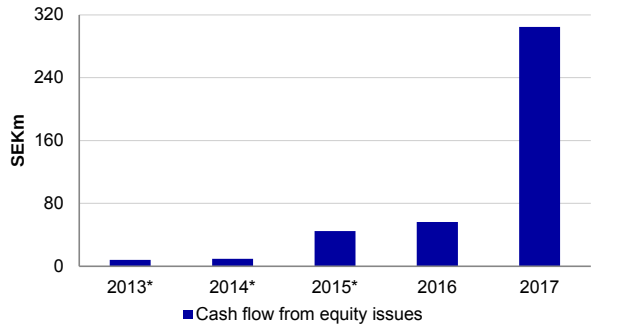
Cantargia's cash flow from operations has closely tracked its operating income and has thus seen the same negative trend historically. However, 2017 cash flow was impacted positively by changes in net working capital of SEK 19.2m, translating into cash flow from operating activities of SEK -41.1m during the year, compared to SEK -42.3m in 2016. The monthly cash burn rate thus also improved in 2017, ending up at –SEK 3.4m per month compared to SEK -3.5m in 2016.

To cover the cash outflow from operations, the company has relied on the capital markets, most recently closing a combined directed issue and fully guaranteed rights issue in Q4 2017, which provided the company with SEK 232m.

CASH FLOW FROM OPERATIONS



CASH FLOW FROM EQUITY ISSUES



**Denotes years for which numbers have not been restated in accordance with IFRS.*

Source: Company data and Nordea Markets

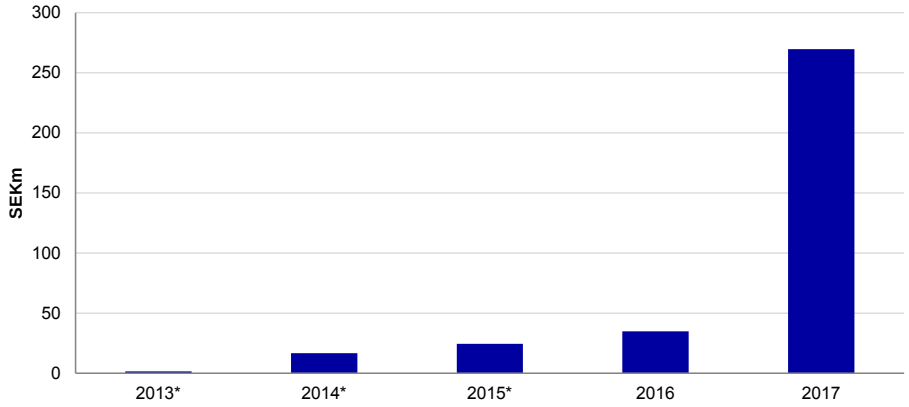
Source: Company data and Nordea Markets

Financial position

Currently very solid cash position with sufficient resources to cover operations until 2020

Similar to most of its peers, Cantargia has relied on financing from the equity markets and is essentially debt-free. The company reported cash at hand (including short-term investments of SEK 120m) of SEK 269.8m at the end of Q4 2017. The substantial increase compared to SEK 34.8 in 2016 is due to the successful completion of two rounds of rights issues during 2017. The most recent was a combined directed issue and rights issue that provided Cantargia with SEK 232m in December 2017. The company is now in a very solid financial position and it deems that its resources will now be sufficient to cover its planned activities up until 2020.

CASH AND CASH EQUIVALENTS



**Denotes years for which numbers have not been restated in accordance with IFRS.*

Source: Company data and Nordea Markets

Estimates

We use a royalty-based revenue model to estimate Cantargia's earnings potential. Our estimates are based on the assumption that the company achieves its goal of finding a strategic partner after the CANFOUR study is completed that can support the commercialisation of CAN04 and shoulder the clinical development costs. We see non-risk-adjusted royalty sales of SEK 1,867m, SEK 522m, and SEK 131m in NSCLC, pancreatic cancer and autoimmune and inflammatory diseases respectively in 2030E. However, adjusting for the risks inherent in the clinical stage, we calculate total risk-adjusted royalty sales for the company of SEK 243m in 2030E.

Estimate methodology

We use a royalty-based revenue model to estimate earnings potential

To estimate the earnings potential, we use a royalty-based revenue model that assumes the company is able to find strategic partners. The design of such partnership deals depends on numerous factors, such as market potential, competition, relative bargaining power and the stage of development. Generally, there is a balance between signing an early deal to de-risk operations and validate the technology, and a deal at a later stage that could induce a higher value. Deal structure can also vary, being either front-end loaded, including a high upfront payment and a low royalty rate, or back-end loaded, including a low upfront payment and a high royalty rate. Milestone payments can also be included, with payment upon certain conditions being met.

We include estimates for the two lead indications of NSCLC and pancreatic cancer as well as the CANxx project, which targets autoimmune and inflammatory diseases

In our forecast, we include estimates for the two indications in which the company sees the greatest potential for its CAN04 antibody, ie NSCLC and pancreatic cancer. While CAN04 could also have potential in other indications, it is in these two that Cantargia has chosen to focus its research programme on. At this stage we choose to exclude the AML indication due to the limited visibility on the progress for this indication and due to the difference between solid cancers such as NSCLC and pancreatic cancer and haematological cancers such as AML.

We also include estimates for the CANxx project and its potential in autoimmune and inflammatory diseases. We believe that CANxx, which is currently in the preclinical phase, should be able to deliver an approved product on the market in the last years of our explicit forecast period, which ends in 2030.

Estimates are based on estimates of patient volume and average treatment price

To assess the market potential within the NSCLC and the pancreatic cancer indications, we make assumptions on patient volume and growth as well as average treatment price and annual price inflation to arrive at sales per indication.

For autoimmune and inflammatory diseases, our estimates are based on the market potential that we compile using data from EvaluatePharma, which aggregates historical and consensus sales data. This data is available until 2022, after which we make assumptions on continued market growth and price inflation up until 2030, which is the last year in our explicit forecast period.

We estimate year of product launch for each indication, assume market shares and royalty rates and risk-adjust sales due to the risk inherent in clinical development

We also estimate each indication's year of arrival on the market and we further assume market shares for Cantargia within the autoimmune and inflammatory diseases indication. Given that we use a royalty-based revenue model, we assume a royalty rate for each indication. Considering the risks inherent in clinical development, we risk-adjust sales, adjusting sales to reflect the probability of approval. This implies that clinical results could alter the valuation. Note that the valuation can also fluctuate due to currency effects as we use USD-denominated prices and market data, implying that the USD/SEK exchange rate can have an impact as well.

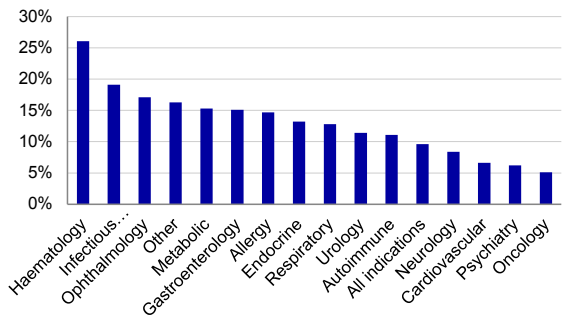
Probability of success in the clinical stage

Studies in the US estimate that the likelihood of approval (LOA) from phase I to market authorisation is about 10% across all indications, while it is slightly higher for the lead

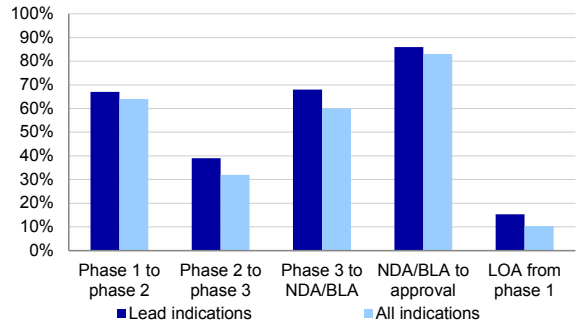
indication of the drug candidate (15%). Depending on the type of indication, the likelihood of approval is about 5-26%. The biggest threshold is between phase II and phase III, as the majority of the drug candidates do not make it to the final stage of clinical trials.

Oncology stands out as the indication with the lowest likelihood of approval. This demonstrates the difficulty of conducting successful oncology studies, but also hints at the vast potential of approved oncology drugs. The lower LOA within the oncology indication is related to its much lower probability of success in phase III, where oncology stands at 40.1% compared to the 63.7% probability of success for non-oncology indications.

LIKELIHOOD OF APPROVAL FROM PHASE I BY FIELD



PROBABILITY OF SUCCESS IN THE CLINICAL STAGE

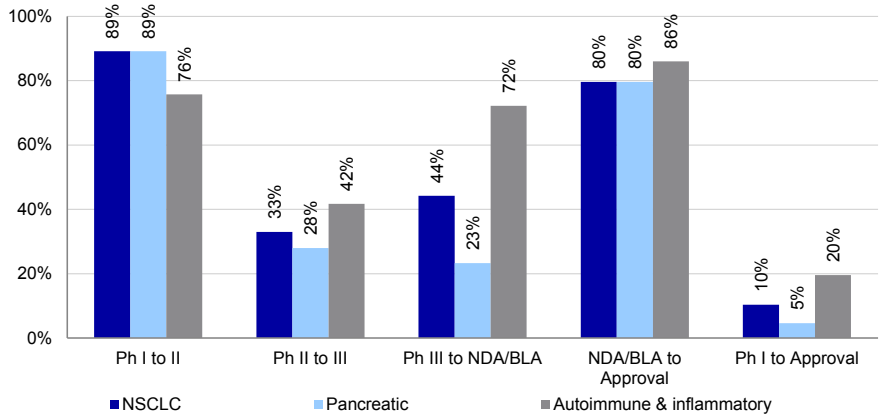


Source: "Clinical Development Success Rates 2006-2015", Hay et. al (both graphs) and Nordea Markets

In our estimates, we use the historical probabilities of success in clinical studies for each indication as a starting point. We then make adjustments, if warranted, for other factors that can have an impact on the probability of success in a phase of the clinical development. We assign a higher likelihood of success in the phase I part of the CANFOUR study as it has passed its first safety evaluation period with no reported issues.

We also increase the probability of success in the phase IIa part of the CANFOUR study as Cantargia aims to use biomarkers in its clinical programme. In the report "Clinical Development Success Rates 2006-2015", it is found that programmes that utilised selection biomarkers had higher success rates at each phase of development compared to the overall dataset.

ESTIMATED PROBABILITIES OF SUCCESS IN EACH CLINICAL PHASE PER INDICATION



Source: Nordea estimates

Commercial strategy assumptions

The company is keeping its options open regarding the continued development of its lead project, CAN04, following the completion of the CANFOUR study, scheduled for the end of 2019. The results of the study may have an impact on the chosen path forward; for example, it may continue the development in-house, but our base case scenario is out-licensing in 2020 after the CANFOUR study.

While there are many alternatives for such deals with out-licensing of specific indications and/or regions as possibilities, we believe that a likely outcome is a separate out-licensing per indication with global rights. The out-licensing deals are expected to include milestones upon certain conditions being met as well as a royalty share of future revenues. We make similar assumptions regarding autoimmune and inflammatory diseases indications, where we model a global out-licensing deal following phase II results.

The out-licensing deals are assumed to involve milestone payments upon initial deal, successful phase III results and market approval as well as a royalty rate on future sales. We also assume that a partner will bear the full costs of phase III studies.

Non-Small Cell Lung Cancer (NSCLC)

We expect the CANFOUR phase I/IIa study to finish in 2020, with an NSCLC phase III study starting in 2020

The NSCLC indication is one of the two indications in which Cantargia has made the most progress, as it is currently undergoing the phase I/IIa CANFOUR study along with pancreatic cancer. We expect NSCLC to be the second indication where Cantargia has a product on the market, as pancreatic cancer represents an indication with greater medical need and thus has the potential for faster approval. In line with company guidance, we expect the CANFOUR study to finish at the end of 2019 with results presented in H1 2020. We believe that it will be followed by a phase III study exclusively within NSCLC in late 2020 and that Cantargia could have an approved NSCLC product on the market in 2024. We assign a likelihood of approval of 10% for CAN04 in the NSCLC indication (phase I upon market authorisation) and assign a higher likelihood of success in the clinical phase due to the announced progress in phase I and the use of biomarkers in future studies.

We base our estimates for treated patients on SEER programme data for the US, adjusting for factors such as NSCLC share of lung cancer and overexpression of IL1RAP

To estimate the addressable patient pool in NSCLC, we start with SEER incidence data on the prevalence of lung cancer in the US. We then adjust these numbers to account for factors such as the fact that 85% of lung cancer cases are NSCLC, and that 80% of NSCLC cases overexpress IL1RAP. We also assume that the 60% of the patient pool who are in late stages of disease progression are thus addressable for treatment with CAN04, which we expect to be used in combination therapies in both the first and second lines of treatment (chemotherapy and PD-1 inihibitors). This seems plausible given the recent anti-metastatic effect Cantargia presented at the AACR, in addition to CAN04's previously demonstrated dual mechanism of action.

We also assume that the addressable population in the rest of the world is twice that of the US and that the patient pool will grow at a low single-digit rate annually. We model the US and Rest of World (RoW) separately and assume a gradually increasing market share in the low- to mid-single digits for both regions, with the US launch expected later in 2024 but with a market share that is growing at a higher rate. This results in roughly 29,000 patients treated in 2030.

We use a launch price of USD 55,000 in the US, with the rest of the world at an average price half that in the US

With regards to pricing, we assume an average price of a treatment in the US of USD 55,000 at the launch in 2024E, with the US price twice that for the rest of the world. We also assume low single-digit annual price inflation.

The relatively low assumed treatment price relates to CAN04's likely use in combination therapies

While many of the current treatments fetch prices far above this, we assume here that CAN04 will likely be part of combination therapies. The very nature of combination therapies is several drugs used concurrently in a treatment, which translates into a ceiling on the potential price of any one component of the therapy. This thus limits the price of CAN04, but a lower price point could have a mitigating effect in that it could increase the attractiveness of CAN04 as a combination therapy component, potentially increasing its use and leading to higher sales volumes.

MAIN ASSUMPTIONS - NSCLC	
Likelihood of approval	10%
Royalty rate	15%
Annual patient pool growth	3%
Annual price inflation	3%

Source: Nordea Markets

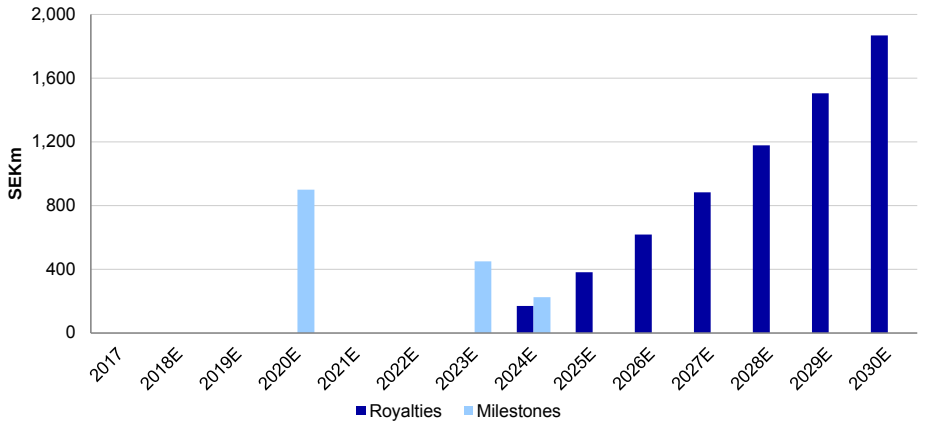
The strong patent portfolio indicates that Cantargia could reach peak sales beyond 2030E

Cantargia has a strong and unique patent portfolio as it holds patents not only for its product but also for its target molecule. The target molecule is patent protected until 2032 within solid tumours, including NSCLC and pancreatic cancer, and its CAN04 product is protected until 2035. Considering the patent situation, which we view as favourable, we believe that Cantargia could reach peak sales beyond 2030.

We see potential to reach sales of SEK 1,306m (non-risk-adjusted) in 2030E

Based on the assumptions that the company can deliver on our forecasts, we see potential for it to reach royalty-based sales of SEK 1,867m (non-risk-adjusted) in 2030E, assuming a 15% royalty rate. Our estimates include an upfront payment of SEK 900m upon final phase I/II data in 2020E and milestone payments of SEK 450m and SEK 225m, respectively, upon completion of phase III trials in 2023E and subsequent market authorisation in 2024E. In the potential phase III study, we assume research collaboration between Cantargia and a potential partner, with the partner bearing the full costs of the study. Milestones are risk-adjusted to reflect the probability of success at each clinical stage of development.

NSCLC ROYALTIES AND MILESTONES - NON-RISK-ADJUSTED



Source: Nordea estimates

NSCLC SALES MODEL	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
US													
Lung cancer prevalence (000's)	593.4	611.2	629.5	648.4	667.9	687.9	708.6	729.8	751.7	774.3	797.5	821.4	846.0
Patient growth	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Share of NSCLC	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Overexpression of IL1RAP	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Late stage of disease progression	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Adressable patients (000's)	242.1	249.4	256.9	264.6	272.5	280.7	289.1	297.8	306.7	315.9	325.4	335.1	345.2
Share of market	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.9%	1.5%	2.1%	2.7%	3.3%	3.9%
Patient volume (000's)	0.0	0.0	0.0	0.0	0.0	0.0	0.9	2.7	4.6	6.6	8.8	11.1	13.5
Price (USD)							55,000	56,650	58,350	60,100	61,903	63,760	65,673
Price increase								3%	3%	3%	3%	3%	3%
Cantargia sales (USDm)	0.0	0.0	0.0	0.0	0.0	0.0	47.7	151.8	268.4	398.7	543.8	705.1	884.1
Rest of World													
Lung cancer prevalence (000's)	1,186.8	1,222.4	1,259.1	1,296.8	1,335.8	1,375.8	1,417.1	1,459.6	1,503.4	1,548.5	1,595.0	1,642.8	1,692.1
Patient growth	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Share of NSCLC	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Overexpression of IL1RAP	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Late stage of disease progression	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Adressable patients (000's)	484.2	498.7	513.7	529.1	545.0	561.3	578.2	595.5	613.4	631.8	650.7	670.3	690.4
Share of market	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.8%	1.1%	1.4%	1.7%	2.0%	2.3%
Patient volume (000's)	0.0	0.0	0.0	0.0	0.0	0.0	2.9	4.8	6.7	8.8	11.1	13.4	15.9
Price (USD)							27,500	28,325	29,175	30,050	30,951	31,880	32,836
Price increase								3%	3%	3%	3%	3%	3%
Cantargia sales (USDm)	0.0	0.0	0.0	0.0	0.0	0.0	79.5	134.9	196.8	265.8	342.4	427.4	521.4
Total													
Royalty to Cantargia (SEKm)	0.0	0.0	0.0	0.0	0.0	0.0	168.9	380.9	618.0	882.6	1,177.1	1,504.2	1,866.8
Patient volume (000's)	0.0	0.0	0.0	0.0	0.0	0.0	3.8	7.4	11.3	15.5	19.8	24.5	29.3
Global average price (USD)							33,846	38,522	41,002	42,929	44,651	46,292	47,903

Source: Nordea estimates and SEER

NSCLC US - SENSITIVITY OF NON-RISK-ADJ. 2030E ROYALTIES IN US						
SEKm		Royalty rate				
		11%	13%	15%	17%	19%
Average price	40,000	525	620	715	811	906
	50,000	656	775	894	1,013	1,132
	60,000	787	930	1,073	1,216	1,359
	70,000	918	1,085	1,252	1,419	1,585
	80,000	1,049	1,240	1,430	1,621	1,812

Source: Nordea estimates

NSCLC - SENSITIVITY OF NON-RISK-ADJ. 2030E ROYALTIES IN ROW						
SEKm		Royalty rate				
		11%	13%	15%	17%	19%
Average price	20,000	309	366	422	478	534
	25,000	387	457	527	598	668
	30,000	464	548	633	717	801
	35,000	541	640	738	837	935
	40,000	619	731	844	956	1,069

Source: Nordea estimates

Pancreatic cancer

We estimate that the CANFOUR phase I/IIa study will finish in 2020, with a phase III within pancreatic cancer starting in late 2020

Below we list the main assumptions behind our sales forecast within pancreatic cancer. This indication is one of the two in which Cantargia has made the most progress as it is currently undergoing the phase I/IIa CANFOUR study along with NSCLC. We expect pancreatic cancer to be the first indication where Cantargia has a product on the market given that it represents a more challenging indication than NSCLC and could thus benefit from a faster approval process. In line with company guidance, we expect the CANFOUR study to finish at the end of 2019 with results presented H1 2020. We believe that it will be followed by a phase III study exclusively within pancreatic cancer in late 2020E and that Cantargia could have an approved product for pancreatic cancer on the market in 2023. We assign a likelihood of approval of 5% for CAN04 in this indication (phase I upon market authorisation) and assign a higher likelihood of success in the initial clinical phase due to the announced progress in phase I and the use of biomarkers in future studies.

We use the same estimate method for pancreatic cancer as that outlined above for NSCLC, ie we use SEER data for US prevalence and make adjustments for factors like overexpression of IL1RAP and make the same assumption regarding the total patient pool being twice that of the US with low single-digit annual growth. We also assume that the 55% of the patient pool who are in late stages of disease progression are thus addressable for treatment with CAN04, and we have the same expectations for the use of CAN04 in combination therapies in both the first and second lines of treatment.

For pancreatic cancer, we assume that the addressable population in the rest of the world is twice that of the US and that the patient pool will grow at a low single-digit rate annually. We model the US and RoW separately and assume a gradually increasing market share in the low- to mid-single digits for both regions, with the US launch expected later in 2023 but with a market share that is growing at a higher rate. This results in roughly 6,400 patients treated in 2030.

Concerning pricing, we assume an average treatment price in the US of USD 70,000 at the launch in 2023E, with the US price twice that for the rest of the world. We also assume low single-digit annual price inflation. The same argument regarding price level is also applicable in pancreatic cancer, since CAN04 is likely to be used in combination therapies in this indication as well.

MAIN ASSUMPTIONS - PANCREATIC CANCER	
Likelihood of approval	5%
Royalty rate	15%
Annual patient pool growth	3%
Annual price inflation	3%

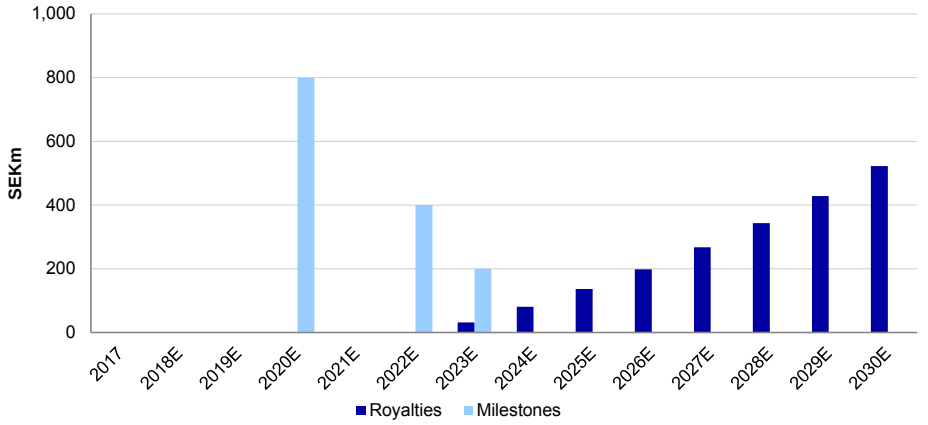
Source:Nordea estimates

Given Cantargia's aforementioned strong patent situation, we believe that it could reach peak sales beyond 2030 also in the pancreatic cancer indication.

We see potential to reach sales of SEK 248m (non-risk-adjusted) in 2030E

Based on the assumptions that the company can deliver on our forecasts, we see potential for it to reach royalty-based sales of SEK 522m (non-risk-adjusted) in 2030E, assuming a 15% royalty rate. Our estimates include an upfront payment of SEK 800m upon final phase I/II data in 2020E and milestone payments of SEK 400m and SEK 200m, respectively, upon completion of phase III trials in 2022E and subsequent market authorisation in 2023E. In the potential phase III study, we assume research collaboration between Cantargia and a potential partner with the partner bearing the full costs of the study. Milestones are risk-adjusted to reflect the probability of success at each clinical stage of development.

PANCREATIC CANCER ROYALTIES AND MILESTONES - NON-RISK-ADJUSTED



Source: Nordea estimates

PANCREATIC CANCER SALES MODEL	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
US													
Pancreatic cancer prevalence (000's)	72.8	75.0	77.2	79.5	81.9	84.4	86.9	89.5	92.2	95.0	97.8	100.8	103.8
Patient growth	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Overexpression of IL1RAP	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Late stage of disease progression	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%
Adressable patients (000's)	32.0	33.0	34.0	35.0	36.0	37.1	38.2	39.4	40.6	41.8	43.0	44.3	45.7
Share of market	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	1.2%	2.0%	2.8%	3.6%	4.4%	5.2%	6.0%
Patient volume (000's)	0.0	0.0	0.0	0.0	0.0	0.1	0.5	0.8	1.1	1.5	1.9	2.3	2.7
Price (USD)						70,000	72,100	74,263	76,491	78,786	81,149	83,584	86,091
Price increase							3%	3%	3%	3%	3%	3%	3%
Cantargia sales (USDm)	0.0	0.0	0.0	0.0	0.0	10.4	33.1	58.5	86.9	118.5	153.7	192.7	235.9
Rest of World													
Pancreatic cancer prevalence (000's)	145.6	149.9	154.4	159.1	163.8	168.8	173.8	179.0	184.4	189.9	195.6	201.5	207.5
Patient growth	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Overexpression of IL1RAP	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Late stage of disease progression	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%
Adressable patients (000's)	64.1	66.0	68.0	70.0	72.1	74.3	76.5	78.8	81.1	83.6	86.1	88.7	91.3
Share of market	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
Patient volume (000's)	0.0	0.0	0.0	0.0	0.0	0.4	0.8	1.2	1.6	2.1	2.6	3.1	3.7
Price (USD)						35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046
Price increase							3%	3%	3%	3%	3%	3%	3%
Cantargia sales (USDm)	0.0	0.0	0.0	0.0	0.0	13.0	27.6	43.9	62.1	82.3	104.8	129.7	157.2
Total													
Royalty to Cantargia (SEKm)	0.0	0.0	0.0	0.0	0.0	31.1	80.6	136.0	197.8	266.7	343.3	428.2	522.1
Patient volume (000's)	0.0	0.0	0.0	0.0	0.0	0.5	1.2	2.0	2.8	3.6	4.5	5.4	6.4
Global average price (USD)						45,000	49,569	51,984	53,994	55,883	57,741	59,605	61,494

Source: Nordea estimates and SEER

PANCREATIC CANCER - SENSITIVITY OF NON-RISK-ADJ. 2030E ROYALTIES IN US						
SEKm		Royalty rate				
		11%	13%	15%	17%	19%
Average price	60,000	160	189	218	247	277
	70,000	187	221	255	289	323
	80,000	213	252	291	330	369
	90,000	240	284	327	371	415
	100,000	267	315	364	412	461

Source: Nordea estimates

PANCREATIC CANCER - SENSITIVITY OF NON-RISK-ADJ. 2030E ROYALTIES IN ROW						
SEKm		Royalty rate				
		11%	13%	15%	17%	19%
Average price	30,000	107	126	146	165	184
	35,000	125	147	170	192	215
	40,000	142	168	194	220	246
	45,000	160	189	218	247	277
	50,000	178	210	243	275	307

Source: Nordea estimates

Autoimmune and inflammatory diseases

We expect phase I to start in 2019, with phase II in 2021 and phase III in 2024

Below we list the main assumptions behind our sales forecast within autoimmune and inflammatory diseases. This indication is related to the CANxx project, which is still in the preclinical stage and currently being developed by a strategic partner. In line with company guidance, we expect that a phase I study in autoimmune and inflammatory diseases could commence in 2020. We believe that it will be followed by a phase II study in 2021E and that Cantargia could have an approved product on the market in 2027E. We assign a likelihood of approval of 20% for the indication (phase I upon market authorisation).

We estimate autoimmune and inflammatory diseases to have a global market size of USD 32.3bn upon product launch in 2027E, based on our assumptions on market growth and price inflation. We further assume that the addressable market for Cantargia constitutes 20% of the entire market for the indication, that the company can initially capture below 1% of the market and that this share slowly rises.

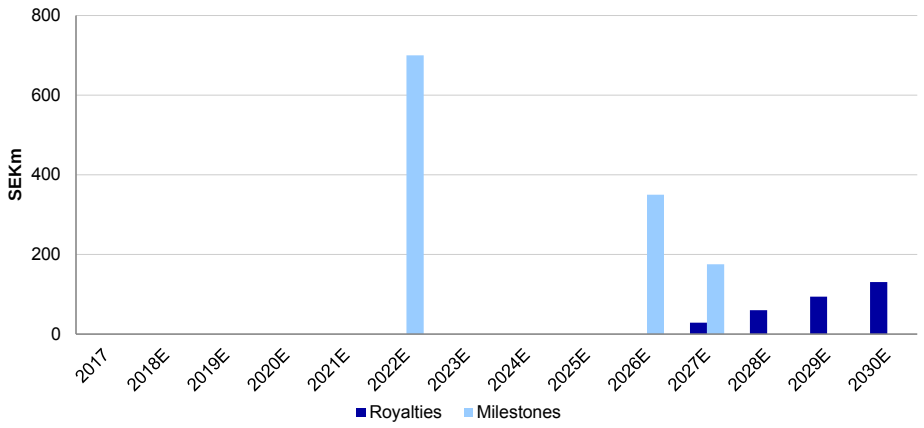
MAIN ASSUMPTIONS - AUTOIMMUNE & INFLAMMATORY DISEASES	
Likelihood of approval	20%
Royalty rate	10%
Market growth beyond 2022	2%
Annual price inflation	3%

Source: Nordea estimates

We see potential to reach sales of SEK 131m (non-risk-adjusted) in 2030E

Based on the assumptions that the company can deliver on our forecasts, we see potential for it to reach royalty-based sales of SEK 131m (non-risk-adjusted) in 2030E, assuming a 10% royalty rate. The lower royalty rate compared to the other indications is related to the partnership agreement with Panorama Research, which is developing the antibody in exchange for a share of future income. Our estimates include an upfront payment of SEK 700m after a phase II study, which we expect in 2022, and milestone payments of SEK 350m and SEK 175m, respectively, upon completion of phase III trials in 2026E and subsequent market authorisation in 2027E. In the potential phase III study, we assume research collaboration between Cantargia and a potential partner, with the partner bearing the full costs of the study. Milestones are risk-adjusted to reflect the probability of success at each clinical stage of development.

AUTOIMMUNE & INFLAMMATORY ROYALTIES & MILESTONES - NON-RISK-ADJUSTED



Source: Nordea estimates

AUTOIMMUNE & INFLAMMATORY	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Global market (USDm)	23,878	24,415	25,003	25,828	25,912	27,078	28,297	29,570	30,901	32,291	33,744	35,263	36,849
Addressable market	4,776	4,883	5,001	5,166	5,182	5,416	5,659	5,914	6,180	6,458	6,749	7,053	7,370
Cantargia market share	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	1.0%	1.5%	2.0%
Cantargia sales (USDm)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.3	67.5	105.8	147.4

Source: Nordea estimates and Evaluate

AUTOIMMUNE & INFLAMMATORY - SENSITIVITY OF NON-RISK-ADJ. 2030E ROYALTIES

SEKm		Royalty rate				
		6%	8%	10%	12%	14%
Market share	1.0%	39	52	65	78	91
	1.5%	59	78	98	117	137
	2.0%	78	104	131	157	183
	2.5%	98	131	163	196	228
	3.0%	117	157	196	235	274

Source: Nordea estimates

Group estimates

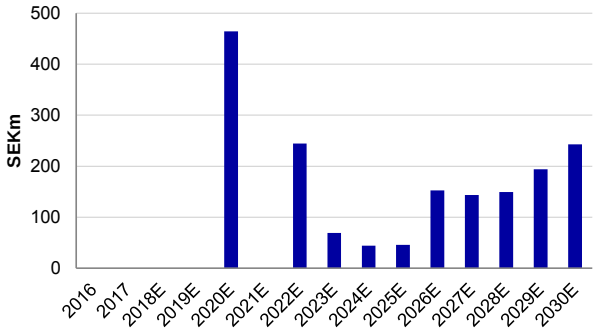
We calculate risk-adjusted sales of SEK 243m in 2030E

Based on our forecasts, we calculate risk-adjusted royalty sales of SEK 243m at group level, yielding EBIT of SEK 217m in 2030E.

Our estimates imply that the sales split in 2030E will consist of 79% NSCLC, 10% pancreatic cancer, and 11% autoimmune and inflammatory diseases.

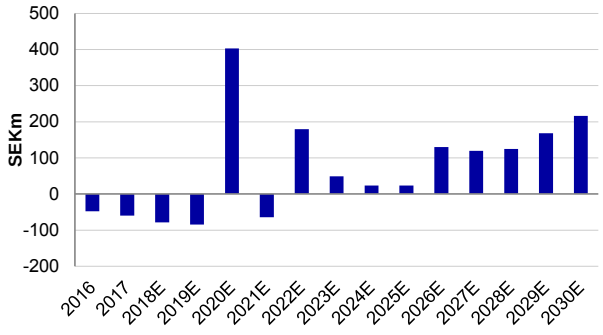
As Cantargia has incurred losses during its development phase, we expect taxes carried forward to be used to minimise tax payments. In 2018E, we calculate accumulated losses to amount to about SEK 217m.

CANTARGIA ESTIMATED SALES



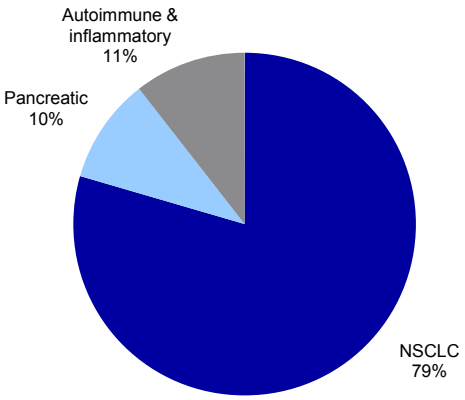
Source: Nordea estimates

CANTARGIA ESTIMATED EBIT



Source: Nordea estimates

2030E SALES SPLIT



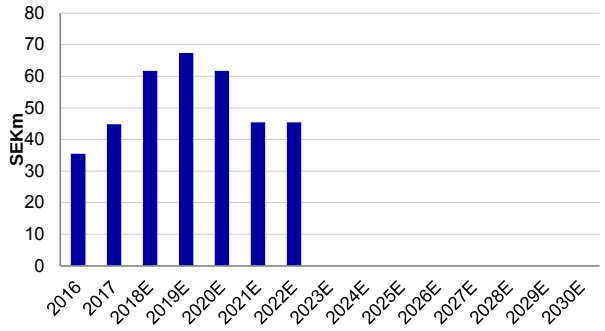
Source: Nordea estimates

Group costs

We expect operational costs to increase from SEK 60m in 2017 to SEK 78m in 2018

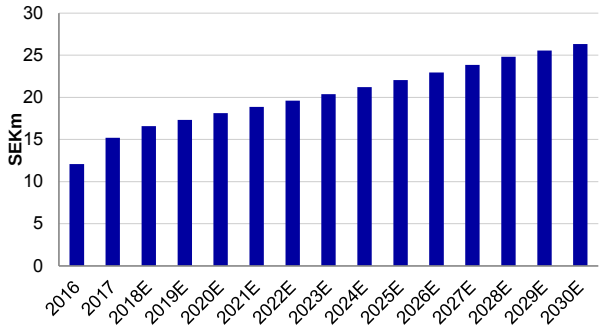
In order for the company to scale up operations and advance further in the clinical phase, we estimate that operational costs will increase from SEK 60m in 2017 to SEK 78m in 2018. We attribute the main proportion of the cost increase to R&D spending, which we estimate could rise from SEK 45m in 2017 to SEK 62m in 2018. We also see scope for increased sales and administrative costs to scale up operations and prepare for additional clinical trials, albeit from a low starting point.

CANTARGIA ESTIMATED R&D COST



Source: Nordea estimates

CANTARGIA ESTIMATED SG&A COST



Source: Nordea estimates

Cash flow

The company currently has funds to take it to a partnership agreement

Cantargia ended Q4 2017 with SEK 270m in cash and short-term investments. The company has stated that this will take it to 2020, at which point it aims to have concluded its phase I/II study and reached an agreement with a partner that can take over or share the cost for the continued development of CAN04 for one or several indications.

Our estimates include upfront and milestone payments from potential partnership deals, which are dependent on positive clinical data. These payments are also risk-adjusted to reflect the probability in each research phase.

Detailed estimates

CANTARGIA - P&L QUARTERLY AND ANNUAL ESTIMATES

SEKm	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018E	Q2 2018E	Q3 2018E	Q4 2018E	2018E	2019E	2020E
Sales	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**464**
growth (%)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA	**-17**	**-15**	**-11**	**-14**	**-20**	**-20**	**-20**	**-20**	**-78**	**-85**	**403**
margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	86.9%
EBIT	**-17**	**-15**	**-11**	**-14**	**-20**	**-20**	**-20**	**-20**	**-78**	**-85**	**403**
margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	86.9%
Net financials	0	0	0	0	1	1	1	1	3	2	1
EBT	**-17**	**-15**	**-11**	**-15**	**-19**	**-19**	**-19**	**-19**	**-76**	**-83**	**404**
Taxes	0	0	0	0	0	0	0	0	0	0	0
Net income	**-17**	**-15**	**-11**	**-15**	**-19**	**-19**	**-19**	**-19**	**-76**	**-83**	**404**

Source: Company data and Nordea estimates

Risk factors

Below, we list the main risk factors we find relevant for Cantargia. The purpose of this is not to provide a comprehensive picture of all of the risks that the company may be subject to, but instead to highlight those that we find most relevant. The main risks we identify relate to the success of clinical trials, regulatory uncertainty and the limited commercial history of the company.

Dependence on one drug candidate

Cantargia is dependent on the success of its product candidate

Cantargia is dependent on regulatory approvals and the successful commercialisation of its product candidate, CAN04. Failure to receive approval for this product candidate could affect the prospects for strategic collaborations and funding, and thus limit future earnings potential.

Clinical studies are risky and require substantial resources

Clinical trials are risky and time-consuming

Clinical trials are risky and there are no guarantees that they are successful despite promising results in earlier trials. Even in the event of positive results, there is a risk that regulatory bodies, such as the FDA and EMA, might have another interpretation of the results. Trials are also time-consuming and expensive, and they require certain expertise. It can take several years to complete a trial, and regulatory bodies may delay or terminate trials at any time.

Regulatory approvals

Regulatory outcomes are uncertain and differ between regions

Regulatory processes are also uncertain, demanding substantial time and resources from management. In addition, the requirements might differ between countries, and additional studies could be required to obtain approvals. In the event of approval, products will still undergo continual regulatory overviews covering all parts of the manufacturing process, labelling, packing, distribution, etc. Failure to comply with current regulations could lead to marketing restrictions being imposed and recalls, among other things. Another risk is that the current policies may change in the future.

Manufacturing

Pharmaceutical products are governed by strict regulation

Manufacturing of Cantargia's product candidate requires compliance with the EMA, FDA and other international standards, such as current Good Manufacturing Practice (GMP). If the company fails to meet these standards, this could cause production disruptions that could delay clinical trials. Increased requirements in the future could also cause disruptions and lead to increased investments.

Competition

Cantargia could face competition from companies with extensive experience and resources

The market for pharmaceutical products is highly competitive and Cantargia might face multiple competitors for its products and product candidates, including major pharmaceutical companies, speciality pharma companies and biotechnology companies. Apart from established treatments, Cantargia might also face competition from novel treatments currently under development.

Several of the current and potential competitors also have significant advantages in terms of experience, resources and established market positions. In addition, early-stage companies might also prove a threat, through strategic collaborations with larger players.

Adverse events

Product could cause severe side effects

There is a risk that the company's product candidate cause serious and/or unexpected side effects. If these were to occur, they could cause a delay to clinical trials or even stop them, leading to negative outcomes in market approval processes, induce labelling requirements, or be the source of legal disputes and reputational damage.

Financial position and capital needs

Cantargia does not have sufficient funds to reach the commercial phase on its own

Cantargia is still in a development phase and is currently not generating any positive operational cash flows. While the company recently received a significant boost to its financial position with the SEK 232m equity issue in Q4 2017, the proceeds will last only until 2020. The company is continually working with several different financing options, eg licensing deals, to ensure that it has enough liquidity until its products are registered and can generate revenue streams. The company believes its prospects of receiving funding through a licensing deal are good, but if it were not to receive sufficient funds, it would be difficult for Cantargia to continue as a going concern.

Limited operational history to assess long-term viability

Its limited history makes it difficult to predict the long-term viability of the business

Cantargia has been an active company since 2009, but operations have so far been limited to early-stage development activities such as identifying product candidates, raising capital and conducting preclinical studies. In order to take the next step by advancing through the clinical stages and later commercialising the product, the company might need to recruit personnel with new skill sets.

Hiring/maintaining qualified personnel

Cantargia depends on key personnel, including scientists

Cantargia's future success is dependent on its ability to keep, motivate and attract key personnel. This includes senior scientists as well as senior management. Loss of key individuals could lead to delays to or prevention of the successful development of its product candidates. As previously mentioned, the company might also need to add new capabilities to engage in commercial activities and failure to do so could limit its future success.

Patents and other intellectual property rights

Intellectual property is key to the future success of its product candidates

Intellectual property is crucial in pharmaceutical development and Cantargia has a broad portfolio of issued, pending and published patents covering many of the major markets. However, if the company is not able to adequately defend its intellectual property, this could affect the future success of its product candidate. It might also be forced into litigation or could itself be subject to allegations of patent infringements by a third party.

Reported numbers and forecasts

INCOME STATEMENT										
SEKm	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
Net revenue	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**464**	**0**	**244**
Revenue growth		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-100.0%	n.a.
EBITDA	-8	-8	-17	-48	-60	-78	-85	403	-64	179
Depreciation and impairments PPE	0	0	0	0	0	0	0	0	0	0
EBITA	-8	-8	-17	-48	-60	-78	-85	403	-64	179
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0
EBIT	-8	-8	-17	-48	-60	-78	-85	403	-64	179
of which associates	0	0	0	0	0	0	0	0	0	0
Associates excl. from EBIT	0	0	0	0	0	0	0	0	0	0
Net financials	0	-0	-0	0	-0	3	2	1	5	4
Pre-Tax Profit	**-8**	**-8**	**-17**	**-47**	**-60**	**-76**	**-83**	**404**	**-60**	**184**
Reported taxes	0	0	0	0	0	0	0	0	0	0
Net profit from cont. operations	-8	-8	-17	-47	-60	-76	-83	404	-60	184
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0
Net profit to equity	-8	-8	-17	-47	-60	-76	-83	404	-60	184
EPS	**-1.25**	**-1.10**	**-1.27**	**-2.27**	**-1.28**	**-1.14**	**-1.25**	**6.11**	**-0.90**	**2.77**
DPS	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
of which extraordinary	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.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	86.9%	n.a.	73.4%
EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	86.9%	n.a.	73.4%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	86.9%	n.a.	73.4%
Adjusted earnings										
EBITDA (adj.)	-8	-8	-17	-48	-60	-78	-85	403	-64	179
EBITA (adj.)	-8	-8	-17	-48	-60	-78	-85	403	-64	179
EBIT (adj.)	-8	-8	-17	-48	-60	-78	-85	403	-64	179
EPS (adj.)	-1.25	-1.10	-1.27	-2.27	-1.28	-1.14	-1.25	6.11	-0.90	2.77
Adjusted profit margins in percent										
EBITDA (adj.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	86.9%	n.a.	73.4%
EBITA (adj.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	86.9%	n.a.	73.4%
EBIT (adj.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	86.9%	n.a.	73.4%
Performance metrics										
CAGR last 5 years										
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	57.9%	59.9%	-288.3%	6.2%	-224.5%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	57.9%	59.9%	-288.3%	6.2%	-224.5%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	-1.8%	2.6%	-236.8%	-16.9%	-216.7%
DPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average EBIT margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	28.6%	25.0%	50.1%
Average EBITDA margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	28.6%	25.0%	50.1%

Source: Company data and Nordea estimates

VALUATION RATIOS - ADJUSTED EARNINGS										
SEKm	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
P/E (adj.)	0.0	0.0	n.m.	n.m.	n.m.	n.m.	n.m.	2.1	n.m.	4.7
EV/EBITDA (adj.)	0.2	2.1	n.m.	n.m.	n.m.	n.m.	n.m.	1.0	n.m.	1.6
EV/EBITA (adj.)	0.2	2.1	n.m.	n.m.	n.m.	n.m.	n.m.	1.0	n.m.	1.6
EV/EBIT (adj.)	0.2	2.1	n.m.	n.m.	n.m.	n.m.	n.m.	1.0	n.m.	1.6
Valuation ratios/reported earnings										
P/E	0.0	0.0	n.m.	n.m.	n.m.	n.m.	n.m.	2.1	n.m.	4.7
EV/Sales	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.9	n.m.	1.2
EV/EBITDA	0.2	2.1	n.m.	n.m.	n.m.	n.m.	n.m.	1.0	n.m.	1.6
EV/EBITA	0.2	2.1	n.m.	n.m.	n.m.	n.m.	n.m.	1.0	n.m.	1.6
EV/EBIT	0.2	2.1	n.m.	n.m.	n.m.	n.m.	n.m.	1.0	n.m.	1.6
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FCF yield	n.a.	n.a.	-23.6%	-30.2%	-13.7%	-11.5%	-9.6%	43.9%	-4.2%	16.9%
Payout ratio	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	2018E	2019E	2020E	2021E	2022E
Intangible assets	2	2	0	0	0	0	0	0	0	0
of which R&D	2	2	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	0	0	0	0	0	0
of which goodwill	0	0	0	0	0	0	0	0	0	0
Tangible assets	0	0	0	0	0	0	0	0	0	0
Shares associates	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0
Other non-int. bearing assets	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	2	3	3	0	0	0	0	0
Total non-current assets	**2**	**3**	**2**	**3**	**3**	**0**	**0**	**0**	**0**	**0**
Inventory	0	0	0	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	0	70	0	61
Other current assets	1	1	1	2	2	0	0	23	0	12
Cash and bank	1	17	25	35	270	171	88	468	432	579
Total current assets	**2**	**17**	**25**	**37**	**271**	**171**	**88**	**561**	**432**	**652**
Assets held for sale	0	0	0	0	0	0	0	0	0	0
Total assets	**4**	**20**	**27**	**40**	**274**	**171**	**88**	**561**	**432**	**652**
Shareholders equity	**3**	**4**	**24**	**30**	**246**	**171**	**88**	**492**	**432**	**616**
of which preferred stock	0	0	0	0	0	0	0	0	0	0
of which Equity of hyb. debt	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0
Total Equity	**3**	**4**	**24**	**30**	**246**	**171**	**88**	**492**	**432**	**616**
Deferred tax	0	0	0	0	0	0	0	0	0	0
Long term int. bearing debt	0	0	0	0	0	0	0	0	0	0
Non-current liabilities	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0
Total non-curr. liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Short-term provisions	0	0	0	0	0	0	0	0	0	0
Accounts payable	1	1	2	7	21	0	0	46	0	24
Other current liabilities	0	15	1	2	8	0	0	23	0	12
Short term interest bearing debt	0	0	0	0	0	0	0	0	0	0
Total current liabilities	**1**	**16**	**3**	**10**	**28**	**0**	**0**	**70**	**0**	**37**
Liab.for assets held for sale	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**4**	**20**	**27**	**40**	**274**	**171**	**88**	**561**	**432**	**652**
Balance sheet and debt metrics										
Net debt	-1	-17	-25	-35	-270	-171	-88	-468	-432	-579
Working capital	0	-15	-2	-7	-27	0	0	23	0	37
Invested capital	2	-13	-1	-5	-24	0	0	23	0	37
Capital employed	3	4	24	30	246	171	88	492	432	616
ROE	-231.6%	-123.4%	-176.5%	-43.6%	-36.3%	-64.3%	139.6%	-12.9%	35.0%	8.5%
ROIC	n.m	149.5%	256.4%	n.m	422.0%	n.m	n.m	n.m	n.m	n.m
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-1.2	n.m.	-3.2
Interest coverage	n.m.	-29.9	-87.2	-729.6	-182.1	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	78.5%	20.4%	88.3%	75.6%	89.7%	100.0%	100.0%	87.6%	100.0%	94.4%
Net gearing	-47.8%	-406.6%	-103.1%	-116.0%	-109.6%	-100.0%	-100.0%	-95.3%	-100.0%	-94.0%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
EBITDA (adj.) for associates	**-8**	**-8**	**-17**	**-48**	**-60**	**-78**	**-85**	**403**	**-64**	**179**
Paid taxes	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	0	0	3	2	1	5	4
Change in Provisions	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	0	-1	-1	0	3	0	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0
Other adj. to reconcile to cash flow	0	0	1	1	0	0	0	0	0	0
Funds from operations (FFO)	**-8**	**-8**	**-17**	**-47**	**-60**	**-73**	**-83**	**404**	**-60**	**184**
Change in NWC	0	15	-13	5	19	-27	0	-23	23	-37
Cash flow from op. (CFO)	**-8**	**7**	**-30**	**-42**	**-41**	**-99**	**-83**	**381**	**-36**	**147**
Capital Expenditure	0	0	0	0	0	0	0	0	0	0
Free Cash Flow before A&D	**-8**	**7**	**-30**	**-42**	**-41**	**-99**	**-83**	**381**	**-36**	**147**
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0
Free cash flow	-8	7	-30	-42	-41	-99	-83	381	-36	147
Dividends paid	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	8	10	45	56	304	0	0	0	0	0
Net change in debt	0	0	0	0	0	0	0	0	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	-1	-1	-7	-4	-28	0	0	0	0	0
Change in cash	-1	15	8	10	235	-99	-83	381	-36	147
Cash flow metrics										
Capex/D&A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Capex/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0%	n.a.	0%
Key information										
Share price year end (current)	-	-	9.5	6.7	6.4	13.1	13.1	13.1	13.1	13.1
Market cap	-	-	128.3	140.1	300.4	867.0	867.0	867.0	867.0	867.0
Enterprise value	-1.5	-16.7	103.8	105.3	30.6	696.5	779.5	398.6	435.0	288.1
Diluted no. of shares, year-end (m)	6.3	7.6	13.5	20.9	46.9	66.2	66.2	66.2	66.2	66.2

Source: Company data and Nordea estimates

Glossary

ADCC: A type of immune reaction in which a target cell or microbe is coated with antibodies and killed by certain types of white blood cells. The white blood cells bind to the antibodies and release substances that kill the target cells or microbes. Also called antibody-dependent cell-mediated cytotoxicity and antibody-dependent cellular cytotoxicity.

AML: Acute Myeloid Leukaemia.

Antibody: Also called immunoglobulin, is a protective protein produced by the immune system in response to the presence of a foreign substance, called an antigen. Antibodies recognize and latch onto antigens in order to remove them from the body. A wide range of substances are regarded by the body as antigens, including disease-causing organisms and toxic materials such as insect venom.

Clinical phase: Tests of drug candidates on humans (or animals in a veterinary context)

- **phase I**: test of a drug on a limited number of healthy volunteers (25-100 people) for dose-ranging
- **phase II**: test of a drug on patients (50-300 people) with the disease to determine efficacy and side effects
- **phase III**: test of a drug on a larger group of patients (300-3,000 people) with the disease to determine efficacy, side effects and safety profile compared with the current standard treatment
- **phase IV**: Upon market launch, the drug is monitored with respect to rare side effects.

Contract research organisation (CRO): An organisation that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis.

EMA: The European Medicines Agency is the EU's medical authority.

FDA: The Food and Drug Administration is the US medical authority.

First line therapy: The first treatment given for a disease, often part of a standard set of treatments, such as surgery followed by chemotherapy and radiation. When used by itself, first-line therapy is the one accepted as the best treatment. If it doesn't cure the disease or it causes severe side effects, other treatment may be added or used instead. Also called induction therapy, primary therapy, and primary treatment.

Good Laboratory Practice (GLP): A quality system of management controls for research laboratories and organisations to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical (including pharmaceuticals) non-clinical safety tests.

Good Manufacturing Practice (GMP): The practices required to conform to the guidelines recommended by agencies that control authorisation and licensing for the manufacture and sale of food, drug products, and active pharmaceutical products. These guidelines provide minimum requirements that a pharmaceutical or a food product manufacturer must meet to assure that the products are of high quality and do not pose any risk to the consumer or public.

IL1RAP: Interleukin-1 receptor accessory protein is a human protein and Cantargia's target molecule. The original discovery by the research team behind Cantargia was the overexpression of IL1RAP in leukemic stem cells, but later research identified IL1RAP in a number of other cancers as well.

Interleukin: One of a group of related proteins made by leukocytes (white blood cells) and other cells in the body. Interleukins regulate immune responses. Interleukins made in the laboratory are used as biological response modifiers to boost the immune system in cancer therapy. An interleukin is a type of cytokine. Also called IL.

Monoclonal antibody: Antibodies are called monoclonal Antibodies (mAbs) when they are produced by clones derived from a single parent cell. Monoclonal antibodies have a high affinity for their epitope, the specific site of the protein they bind to. mAbs are widely used in laboratories for research and diagnostics purposes and are also used in immunotherapy in order to boost the body's natural defences.

NSCLC: Non-small cell lung cancer.

Orphan Drug Designation (ODD): Market exclusivity obtained for a product after market approval even if the relevant patent has expired. ODD gives exclusivity for ten years within the EU from the time of market approval.

PD-1: A protein found on T cells (a type of immune cell) that helps keep the body's immune responses in check. When PD-1 is bound to another protein called PD-L1, it helps keep T cells from killing other cells, including cancer cells. Some anticancer drugs, called immune checkpoint inhibitors, are used to block PD-1. When this protein is blocked, the "brakes" on the immune system are released and the ability of T cells to kill cancer cells is increased.

Pre-clinical phase: A stage before tests on humans (clinical trials). Identification of drug candidates, study of feasibility and assessment of products' safety profiles.

Proof of Concept (PoC): A method to evaluate the efficacy of a treatment.

Second line therapy: Treatment that is given when initial treatment (first-line therapy) doesn't work, or stops working.

Toxicity study: A study performed in animals to determine the dose level recommended for the treatment of a disease with a drug. This method enables the identification of potential adverse effects following repeated daily ingestion of a drug.

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Completion date
9 May 2018 , 07:05 CET

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