

Race Oncology

Pharma & biotech
26 September 2017

Rediscovering a lost chemotherapeutic

Race Oncology is currently focused on the development of bisantrene, which had been the subject of over 40 clinical trials in the 1980s and 1990s as part of Lederle's search for a safer anthracycline (a widely used class of chemotherapeutics that is associated with cardiotoxicity). Despite positive efficacy data across a variety of cancers, especially AML (it was even approved for the treatment of AML in France in 1990 but never commercialised), development stopped after Lederle was sold to Wyeth and then Wyeth was sold to Pfizer. Race will be developing bisantrene for relapsed/refractory AML and expects to initiate a pivotal trial for approval in the US around the end of 2018.

Efficacy indicated in relapsed/refractory AML

Bisantrene had been investigated in trials covering a plethora of different cancers and some efficacy had been indicated in leukaemias and lymphomas, as well as breast and ovarian cancer. AML in particular was especially compelling. In five studies totalling 85 heavily pretreated patients, bisantrene demonstrated a 48% complete response rate. Earlier studies also indicated that the cardiotoxicity typically seen with anthracyclines was greatly reduced with bisantrene.

Early access revenues in the near term

As part of an early access program, unapproved pharmaceuticals can in some cases be sold to hospitals or patients. In Europe, such programs are legal in France, Italy and Turkey, and the company expects to apply for such a program in France by the end of 2017 and once approved, start to generate revenues.

Orphan drug exclusivity provides 7 years' protection

While the original patents for bisantrene have expired, as AML is an orphan indication, bisantrene, if approved in the US, would be protected by seven years of orphan drug exclusivity. Race also owns two filed patents which, if approved, would provide patent protection through 2034 in the US, EU, Japan and other countries.

Valuation: EV of \$20m

With \$3.5m in net cash as of 31 July, 2017, additional financing will be necessary for the company to move forward with bisantrene development. In our view, \$20m is a modest EV given the efficacy demonstrated by previous studies of bisantrene in AML and we would expect that to change as Race builds awareness, generates early access revenues and progresses towards its pivotal study in the US.

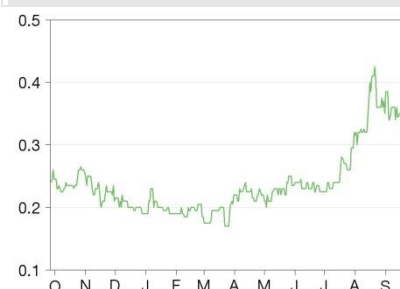
Historical financials

Year end	Revenue (A\$m)	PBT (A\$m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
06/14	N/A	N/A	N/A	N/A	N/A	N/A
06/15	N/A	N/A	N/A	N/A	N/A	N/A
06/16	0.0	(0.3)	(2.8)	N/A	N/A	N/A
06/17	0.0	(4.2)	(7.9)	N/A	N/A	N/A

Source: Race Oncology

Price **A\$0.33**
Market cap **A\$22m**

Share price graph



Share details

Code RAC
 Listing ASX
 Shares in issue 65.3m

Business description

Race Oncology is a development stage specialty pharmaceutical company which seeks to rescue, rediscover or repurpose overlooked drugs. Its main asset, bisantrene, is being developed for AML. In the US, the company is in the process of designing the pivotal trial. In Europe, it is on the verge of being used as part of an early access program aimed at relapsed/refractory AML.

Bull

- Bisantrene demonstrated a 48% response rate in relapsed/refractory AML patients.
- Early access sales provide the promise of near-term revenue in certain regions.
- Relatively de-risked asset with more than 40 clinical trials behind it

Bear

- The composition of matter patent has expired, although orphan drug status should provide a minimum of seven years protection in the US.
- AML is a very competitive space with four recent approvals and promising products in the pipeline.
- Company will seek additional funding to support its proposed pivotal study for US approval.

Analysts

Maxim Jacobs +1 646 653 7027
 Nathaniel Calloway +1 646 653 7036

healthcare@edisongroup.com

Race Oncology
Race Oncology is a client of Edison Investment Research Limited

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Race Oncology and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2014]. "FTSE(r)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.