

Heidelberg Pharma

ATACking cancer cells with novel technology

Heidelberg Pharma is building a proprietary pipeline of Antibody Targeted Amanitin Conjugates (ATACs). Lead product, HDP-101, is in preparation to start clinical development at the end of 2018. The company has a back-loaded research and option deal with Takeda that could be worth up to \$113m per product. The investment case rests on its current and new partnerships and on the clinical progress of its proprietary ATAC pipeline. Cash at end-9M17 was €4.5m; the company has an additional funding commitment of €5.6m, sufficient into Q218.

Combining ADC tech with a unique toxic payload

Heidelberg Pharma's ATAC technology combines the specificity of antibody drug conjugates (ADCs) with the toxin Amanitin. Preclinical data show that ATACs can eliminate active and dormant tumour cells, overcome resistance and prevent tumour relapse. Its lead product is HDP-101, which comprises a BCMA antibody and Amanitin, and has potential in multiple myeloma; preclinical studies have shown promising efficacy and tolerability in animal models. The company is conducting IND-enabling studies and aims to start clinical development in 2018. Furthermore, it is developing ATACs against CD19, PSMA and other targets in the early R&D stage.

Collaboration with Takeda provides early validation

Heidelberg Pharma has an exclusive research agreement with Takeda to generate ATACs using Takeda's proprietary antibody portfolio for up to three targets. Takeda has an option to in-license the products and potential milestone payments could be up to \$113m per product. Separately, during 9M17 the company out-licensed its diagnostic antibody Redectane to Telix, which will fund development and commercialisation. In return, Heidelberg Pharma is eligible to receive up to \$3.7m in upfront and milestone payments and royalties on global net sales.

Updated guidance for 2017 indicates funding to Q218

Heidelberg Pharma has adjusted its guidance for 2017. It now expects revenues in the range of €2-3m (vs €4-6m previously) due to deferred revenue from the Takeda deal and an EBIT loss of €9-11m (vs previous EBIT loss of €6-10m). The end-9M17 cash position was €4.5m. It has €5.6m available from a €10m financing commitment from dievini. It expects these funds to provide runway into Q218.

Valuation: Current enterprise value (EV) of €40m

Heidelberg's current EV is c €40m, which in our view reflects the early stage of its pipeline and alliances. Additional progress should unlock further value.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/15	3.9	(6.6)	(0.8)	0.0	N/A	N/A
12/16	2.7	(6.4)	(0.5)	0.0	N/A	N/A
12/17e	3.5	(8.1)	(0.4)	0.0	N/A	N/A
12/18e	3.9	(9.7)	(0.4)	0.0	N/A	N/A

Source: Company (historics), Bloomberg consensus estimates

Pharma & biotech

15 November 2017

Price €2.66
Market cap €40m

Share price graph



Share details

Code WL6
Shares in issue 14.97m
Net cash (€m) as at end Q317 0.6

Business description

Heidelberg Pharma develops a proprietary pipeline of products based on the novel Antibody Targeted Amanitin Conjugates (ATAC). The lead product is HDP-101 in IND-enabling studies. The company has a collaboration agreement with Takeda potentially worth up to \$113m per product and deals for other assets: Redectane and Mesupron.

Bull

- Novel proprietary technology with a wide range of applications.
- Deal with Takeda provides initial validation.
- Potential upside from pipeline progression and additional partnerships.

Bear

- No clinical data yet.
- Early-stage pipeline and partnerships.
- Funding beyond Q218.

Analyst

Juan Pedro Serrate +44 (0)20 3681 2534
healthcare@edisongroup.com

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