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Threshold Pharmaceuticals

Pharma & biotech

11 June 2014

Further encouraging data at ASCO

Updated and detailed TH-302 Phase I/II glioblastoma (GBM) and Phase I/II multiple myeloma (MM) data were presented at ASCO, with investigators highlighting the early signals of clinical activity in each of these indications. Both of these disease settings could potentially be eligible for accelerated development, given the unmet medical need, with seemingly limited value ascribed to either at current levels.

MM moves to the final stage of ongoing Phase I/II

Data from 24 patients in the dose escalation and expansion arms were presented, examining TH-302 in combination with dexamethasone in relapsed/refractory MM. Patients had received a median of 6.5 prior therapies. The most common TH-302 related adverse events (AEs) were nausea and fatigue (25%); the most common grade 3/4 hematologic AEs were thrombocytopenia and leukopenia. Dr Richardson, an investigator at Dana-Farber Cancer Institute, commented the side-effect profile was manageable. 26% of the 23 evaluable patients had clinical benefit, defined as a minimal response (MR) or better, including four partial responses (PR). 31% had clinical benefit at the maximum tolerated dose (MTD) of 340mg/m^2 (three PR and two MR). Dr Richardson highlighted these single-agent data compare well with early stage data from other single agents in MM. The trial is now moving to the final stage, which will investigate TH-302 in combination with Velcade.

GBM will move to a Phase II trial

Updated data from the ongoing investigator-led Phase I/II dose escalation trial examining TH-302 in combination with Avastin as third-line treatment were presented. There was an overall response rate of 24% (one complete, CR, and three PR) in the 17 evaluable patients. Median PFS of 3.1 months was reconfirmed (comparing favourably to reference data of 37.5 days) and overall survival was 4.9 months (compared to reference data of 82 days). One patient has had stable disease for 30 months. Dr Brenner, the principal investigator at UT Health Science Center, San Antonio, TX, highlighted that this setting has a very poor prognosis and that next steps will be a further Phase II study that will include an additional centre.

Valuation: Undemanding EV of c $173m

Threshold's EV of only c $173m seems undemanding given TH-302 has potential across a broad range of tumours, with Phase III trials in STS and pancreatic cancer ongoing, which could be blockbuster opportunities. As part of the 2012 $525m deal with Merck KGaA, Threshold could be entitled to a further $170m development and $245m sales-related milestones, in addition to double-digit royalties.

Consensus estimates

Year end	Revenue ($m)	PBT ($m)	EPS ($)	DPS ($)	P/E (x)	Yield (%)
12/12	5.9	(71.1)	(1.31)	0.0	N/A	N/A
12/13	12.5	(28.2)	(0.49)	0.0	N/A	N/A
12/14e	15.8	(29.7)	(0.50)	0.0	N/A	N/A
12/15e	20.4	(32.8)	(0.55)	0.0	N/A	N/A

Source: Bloomberg

Price	$4.37
Market cap	$259m

Share price graph

Share details

Code	THLD
Listing	NASDAQ
Shares in issue	59.3m

Business description

Threshold Pharmaceuticals is a US oncology company focused on tumour hypoxia, a low-oxygen condition found in most solid tumours and some blood cancers. TH-302 is in Phase III for STS and pancreatic cancer, in addition to trials in several other cancers, and is partnered with Merck KGaA.

Bull

- TH-302 has potential in a number of cancer indications, both as monotherapy in some cancers, and in combination with chemotherapy and antiangiogenics.
- Merck KGaA funds 70% of TH-302 development.
- Solid cash position of $86.4m (end March).

Bear

- TH-302 could fail to show survival benefit in STS.
- Oncology is a highly competitive space.
- Single-product risk.

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