EDISON

QuickView

Threshold Pharmaceuticals

Pharma & biotech

24 September 2014

Pivotal STS Phase III continues as planned

The conclusion of the interim efficacy and safety analysis of Threshold's ongoing Phase III soft tissue sarcoma (STS) trial is for the study to continue as planned, in line with both our and management's expectations. Based on the current event rate, the number of events (n=434 deaths) required for the primary efficacy analysis are expected to be reached in H215. STS could be the first approved indication for TH-302.

Interim STS outcome as expected

A planned review of efficacy and safety, which included 256 events (deaths), by an independent committee (IDMC) has concluded that the Phase III STS trial should continue as planned, in line with both our and management's expectations. The IDMC had the option to terminate the trial early if TH-302 demonstrated a clear efficacy benefit, substantially higher than planned for in the primary analysis, or to terminate the trial for an unacceptable risk/benefit profile.

Trial continues; events for primary analysis in H215e

Threshold remains blinded to the data but based on the current event rate, the number of events (n=434 deaths) required for the primary analysis of overall survival are now expected in H215e (Threshold had previously expected these to be reached around mid-2015). Timelines for event-driven trials can be difficult to predict and there is little we can infer either way from this. The Phase III STS trial is investigating TH-302 with doxorubicin vs doxorubicin alone in 640 patients. The trial design has been agreed with the FDA under a special protocol assessment (SPA).

STS could be the first of many indications for TH-302

STS could represent the first approved indication for TH-302, if the data are positive. TH-302 is also being investigated in a Phase III pancreatic cancer trial, in addition to a number of other solid tumours and blood cancers in combination with chemotherapy and antiangiogenics, and as monotherapy in certain cancers. Early signals of clinical activity were observed in both a Phase I/II glioblastoma trial and a multiple myeloma study, presented at ASCO 2014. These could be eligible for accelerated development, given the unmet medical need.

Valuation: EV of around $157m

End-June net cash of $75.2m implies an EV of only c $157m. TH-302 has potential across a broad range of tumours and Phase III trials in both STS and pancreatic cancer are ongoing, in addition to the $525m deal with Merck KGaA.

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	15.5	(22.8)	(0.45)	0.0	N/A	N/A
12/15e	18.8	(32.1)	(0.52)	0.0	N/A	N/A

Source: Bloomberg

Price	$3.91
Market cap	$232m

Share price graph

Share details

Code	THLD
Listing	NASDAQ
Shares in issue	59.4m

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 multiple other cancers and is partnered with Merck KGaA.

Bull

- TH-302 has potential in a number of cancer indications, as both monotherapy in some cancers, and in combination with chemotherapy and antiangiogenics.
- Merck KGaA funds 70% of TH-302 development.
- Solid cash position of $75.2m (end June).

Bear

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

Analysts

Dr Philippa Gardner	+44 (0)20 3681 2521
Emma Ulker	+44 (0)20 3077 5738
Dr Mick Cooper	+44 (0)20 3077 5734

healthcare@edisongroup.com

QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the Financial Conduct Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584). 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

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
245 Park Avenue, 39th Floor
10167, New York
US

Sydney +61 (0)2 9258 1161
Level 25, Aurora Place
88 Phillip St, Sydney
NSW 2000, Australia

Wellington +64 (0)48 948 555
Level 15, 171 Featherston St
Wellington 6011
New Zealand