

4SC

Positive detailed analysis of Phase II trial data

4SC has announced positive Phase II results from a more detailed analysis of the HCC Yakult Phase II trial data, which we believe could lead to further clinical development. It has also recently announced the sale of its immunology portfolio (Vidofludimus and a cytokine inhibitor), which further streamlines the company's focus on its core business of epigenetics while retaining potential upside (via milestones and royalties). We increase our rNPV to €117m from €110m to reflect the increase in the potential of resminostat development in Japan.

Positive potential following further analysis

Despite not meeting the primary end point previously, further in-depth analysis of the HCC Phase II clinical trial data, conducted by its partner Yakult, has reportedly demonstrated a substantial improvement in overall survival (OS). 4SC has reported that this is an important end point in advanced HCC and this improvement was in a large subgroup, defined by greater than median platelet count at study entry (50% of all patients in the study). As a result of this positive further analysis, plans for continued clinical development of resminostat in Japan are being discussed.

Recent deal enables greater focus on core

4SC also recently announced the disposal of its immunology portfolio to Immunic, which includes two drug development programmes (Vidofludimus and a cytokine inhibitor) and its associated IP. The deal included an upfront payment, milestones and royalties although it does not give any further details. While the deal is not transformative in terms of its impact on cash, it does streamline focus further on 4SC's core business of epigenetic research and treatments while retaining upside.

CEO appointment underpins the next stage for 4SC

Dr Jason Loveridge has recently been appointed CEO. He has an investment-focused background that should prove useful in driving partnerships forward and delivering future fund-raising requirements and value from its core business.

Valuation: Increased to €117m

We have increased our rNPV-based valuation to €117m or €6.2 per share (previously €5.8), as we have raised our probability of resminostat success in Japan to 20%. We will review this again with clarity of timing and details of further clinical development of resminostat in Asia. We have not altered our forecasts as the company has guided that the recent deal with Immunic does not affect cash guidance and we do not have clarity on the details of the deal.

Edison estimates

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/14	7.1	(8.8)	(0.88)	0.0	N/A	N/A
12/15	3.3	(8.4)	(0.59)	0.0	N/A	N/A
12/16e	3.8	(14.8)	(0.78)	0.0	N/A	N/A
12/17e	4.0	(4.0)	(0.21)	0.0	N/A	N/A

Source: Company data, Edison Investment Research

Pharma & biotech

Price €2.49

Market cap €47m

Share price graph



Share details

Code	VSC
Shares in issue	19.0m
Net cash (€m) at 30 June 2016	13.8

Business description

4SC is a Munich-based cancer R&D company. Epigenetic compound resminostat (HDAC inhibitor) is the lead candidate for Cutaneous T-Cell Lymphoma (Phase II planned in Q416), partnered with Yakult Honsha (Japan) and Menarini (Asia ex-Japan). 4SC is partnered with Link Health for a Phase I oncology asset.

Bull

- Resminostat CTCL Phase II trial due to initiate Q416.
- Further more detailed analysis of HCC Phase II trial data (Yakult) indicates possible positive potential.
- 4SC-202 positive early data and recent licensing and development partnership for 4SC-205 in China.

Bear

- Risk of failure and read-across from Yakult Phase II studies.
- Low free-float (38%); low liquidity.
- Financing likely to be required to complete CTCL study.

Analysts

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