

Heidelberg Pharma

Close to ATAC

Heidelberg Pharma's strategy is twofold: to develop a proprietary pipeline of Antibody Targeted Amanitin Conjugates and sign early research and option deals with pharmaceutical companies to develop targets using the ATAC platform. Heidelberg should file an IND for its proprietary product, HDP-101, for multiple myeloma in Q219. The company has signed a deal with Magenta potentially worth up to \$334m for four targets and has a deal with Takeda that could yield up to \$339m for three targets. Cash at Q318 was €22.7m, which Heidelberg expects to last into 2020.

Alliances provide early validation of ATAC technology

Within its alliance strategy, Heidelberg seeks to sign early-stage deals that maximise the potential of the ATAC platform. In March 2018, it signed an exclusive multi-target R&D option and milestone deal with Magenta worth up to \$334m if all milestones are met. The first option has already been licensed. This adds to its deal with Takeda to generate ATACs using Takeda's proprietary antibody portfolio for up to three targets, which could yield up to \$113m per target. These deals are early stage and therefore back end-loaded. Total value in early-stage deals is infrequently realised but we see them as indicative of the interest in the ATAC technology among pharma companies. Distinct from the ATAC deals, partner Telix has submitted an application to start a Phase III clinical trial in kidney cancer imaging in Europe using Heidelberg's imaging agent, Redectane.

Building a proprietary pipeline on validated targets

The B-cell maturation antigen (BCMA) is a validated target in relapsed, refractory multiple myeloma (MM) where CAR-T products from bluebird and Novartis have generated encouraging but early data. CAR-Ts are however autologous, have high CoGS and are for smaller indications than MM. GSK's ADC BCMA-MMAE has also produced good data in a Phase II study. HDP-101 comprises a BCMA antibody and Amanitin, and has shown promising efficacy and tolerability in animal models. Heidelberg aims to file an IND in Q219 (vs end-2018 previously). HDP-101 will need to show outstanding safety and efficacy in this highly competitive field to gain market share. In addition, Heidelberg has ATAC candidates against CD19, PSMA and other targets with potentially competitive preclinical profiles in its pipeline.

Valuation: Current enterprise value (EV) of €42m

Heidelberg's EV is €42.3m based on a market cap of €65m and cash of €22.7m at the end of Q318. Heidelberg expects its cash runway to extend until 2020. Despite good operational progress, we believe Heidelberg's valuation still reflects the early stage of its pipeline and alliances.

Consensus estimates

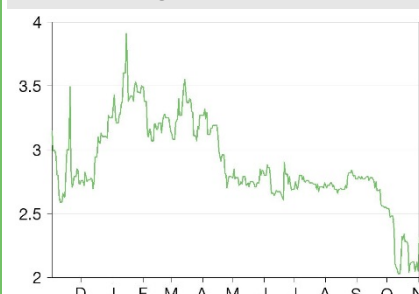
| Year end | Revenue (€m) | PBT (€m) | EPS (c) | DPS (c) | P/E (x) | Yield (%) |
|----------|--------------|----------|---------|---------|---------|-----------|
| 12/16 | 1.4 | (6.4) | (0.5) | 0.0 | N/A | N/A |
| 12/17 | 1.9 | (11.0) | (0.8) | 0.0 | N/A | N/A |
| 12/18e | 4.0* | (11.0) | (0.5) | 0.0 | N/A | N/A |
| 12/19e | 4.8 | (12.5) | (0.5) | 0.0 | N/A | N/A |

Source: Company (historics), Bloomberg consensus estimates. Note: *Mid-point of guidance.

Pharma & biotech

Price €2.31
Market cap €65m

Share price graph



Share details

Code WL6
Shares in issue 28.13m
Net cash (€m) at end Q318 22.7

Business description

Heidelberg Pharma develops a proprietary pipeline of products based on the novel Antibody Targeted Amanitin Conjugates (the ATAC platform). The ATAC lead product is HDP-101 in IND-enabling studies. The company has collaboration agreements with Takeda and Magenta potentially worth up to \$113m and \$83.5m per target respectively, and deals for other assets.

Bull

- Novel proprietary linker-toxin technology with a wide range of applications.
- Early-stage deals provide initial validation.
- Potential upside from pipeline progression and additional partnerships.

Bear

- No clinical data in ATAC yet.
- Early-stage pipeline and partnerships.
- Competition in multiple myeloma.

Analyst

Andy Smith +44 (0)20 3077 5738
healthcare@edisongroup.com

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