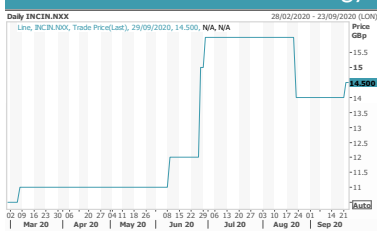


Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data

| | |
|--------------|-------------|
| EPIC/TKR | INC |
| Price (p) | 14.5 |
| 12m High (p) | 16.0 |
| 12m Low (p) | 9.5 |
| Shares (m) | 60.9 |
| Mkt Cap (£m) | 8.8 |
| EV (£m) | 8.5 |
| Free Float | 38% |
| Market | AQSE Growth |

Description

Incanthera (INC) is a specialist oncology company that offers two distinct programmes. The initial focus is on a value-added proprietary formulation sun cream, Sol, that prevents skin cancers. It also owns a novel, targeted, drug delivery platform to deliver cytotoxic warheads directly to cancer cells, in the expectation of improving clinical outcomes, with fewer side effects.

Company information

| | |
|----------------|--|
| Exec. Chairman | Tim McCarthy |
| CEO | Simon Ward |
| COO | Pawel Zolnierczyk |
| CFO | Laura Brogden |
| | +44 161 817 5005 |
| | www.incanthera.com |

Key shareholders

| | |
|------------------------|-------|
| Directors | 9.3% |
| North West Fund | 26.6% |
| University of Bradford | 12.3% |
| Immupharma plc | 11.9% |

Diary

| | |
|--------|-----------------|
| Oct'20 | Interim results |
|--------|-----------------|

Analyst

| | |
|-------------|--|
| Martin Hall | 020 7194 7622 |
| | mh@hardmanandco.com |

INCANTHERA

Successful permeation study

INC is a spin-out from the Institute of Cancer Therapeutics (ICT) at the University of Bradford to exploit development opportunities generated by ICT. This has provided the company with its core pro-drug delivery platform technology, to which additional technologies/products have been acquired, all focused on producing better clinical outcomes for cancer patients. The company has reported that a new formulation of its lead product, Sol, has superior dermal delivery compared with four comparator products. This represents an important milestone in the development of a product for the prevention of sun damage advancing into skin cancers.

- **Strategy:** INC is a specialist oncology company using a novel pro-drug approach to deliver cytotoxic warheads directly to tumour cells. It intends to develop drugs to a suitable valuation inflection point and then out-license them for late-stage trials, in return for development milestones and royalties.
- **Permeation study:** An independent study run by the School of Pharmacy, University of London, has demonstrated that INC's revised formulation of Sol permeates the skin better than four comparator products. In addition, the bioavailability (blood levels) exceeded those achieved following oral delivery.
- **Interims:** INC is expected to announce results for 1H'21 towards the end of October. Costs are expected to be tightly controlled to stretch its cash runway as long as possible. EBIT losses are forecast to be around -£450k. This would leave gross cash at ca.£50k, with a further £350k due in from its IPO.
- **Risks:** Investments in small, early-stage pharmaceutical companies carry a significant risk, and additional capital will be required for future expansion of clinical programmes. This additional capital may come from commercialisation of Sol, and/or INC may need to raise more capital in the future.
- **Investment summary:** INC offers distinct technology with the potential to attract the attention of the majors, especially given management's strategy to out-license products early. The focus, initially, will be on a patent-protected, value-added, sun cream, which represents a relatively quick and low-risk cosmetics project. The current EV suggests that there is good upside potential when comparing INC with a group of UK-listed peers working in the same field.

Financial summary and valuation

| Year-end Mar (£000) | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E |
|---------------------|--------|--------|--------|--------|-------|-------|
| Sales | 0 | 603 | 0 | 0 | 0 | 0 |
| SG&A | -676 | -1,223 | -1,337 | -683 | -526 | -473 |
| R&D | -365 | -143 | -299 | -250 | -345 | -250 |
| EBITDA | -954 | -864 | -1,879 | -1,091 | -757 | -612 |
| Underlying EBIT | -1,075 | -984 | -2,012 | -1,226 | -891 | -743 |
| Reported EBIT | -1,075 | -984 | -2,012 | -1,226 | -891 | -743 |
| Underlying PBT | -1,075 | -984 | -2,012 | -1,226 | -891 | -743 |
| Statutory PBT | -1,075 | -984 | -2,012 | -1,226 | -891 | -743 |
| Underlying EPS (p) | -4.0 | -2.3 | -4.8 | -2.3 | -1.3 | -1.1 |
| Statutory EPS (p) | -4.0 | -2.3 | -4.8 | -2.3 | -1.3 | -1.1 |
| Net cash/(debt) | 88 | 143 | 176 | 392 | 120 | -382 |
| Equity issues | 309 | 1,021 | 2,398 | 1,168 | 350 | 0 |

Source: Hardman & Co Life Sciences Research