

Incanthera Ltd

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Incanthera looking at big opportunity as Sol impresses in tests

There is a theory, nay a misconception, that the equity markets are a reliable arbiter of value.

A perfect flow of information is required for this thesis to hold. That stock exchanges harbour all manner of surprises demonstrates this isn't the case.

Imperfection creates valuation anomalies beloved by Messrs Graham and Buffett and their disciples.

It also allows lay investors with a decent grasp of the analytical fundamentals to uncover hidden nuggets overlooked by smarter people with greater resources.

The playing field is further levelled the lower down the pyramid you go.

A conversation last week with the chairman of one of those smaller companies suggested it might be one for investment 'truffle hunters' (always remembering you should do own research).

Life sciences firm Incanthera (AQSE:INC) is an oncology specialist whose main asset, Sol, is a cream that guards against solar keratosis, which can be the prelude to the most common type of skin cancer.

The unsightly blemishes that occur are caused by exposure to the sun and have become more commonplace as holiday travel to the Med and further afield has opened up.

Incanthera's product was introduced to CEO, Simon Ward, through ex-colleagues, from his background in dermatology.

And its performance under independent scientific scrutiny has exceeded expectations.

The data revealed Sol delivered more of the active ingredient into the skin than four comparator products (being marketed for other indications) and had an irritation factor akin to creams used on babies - in other words it was close to zero.

The analysis also showed that the topical formulation of the active ingredient worked better than oral administration (in scientific speak, it exceeded the bioequivalence threshold). Crucially, there were no unpleasant side effects.

If we were using a traditional pharmaceutical matrix one might say Sol was both safe and efficacious.

While the cream will ultimately be developed as a drug treatment, this is something for the future. First it will be licensed as a cream formulation probably as an additive to suntan lotion.

Price: 19

Market Cap: 0

1 Year Share Price Graph



March 2020 August 2020 October 2020

Share Information

Code: INC

Listing: AQSE

Sector: Pharma & Biotech

Website: www.incanthera.com

Company Synopsis:

A revolutionary oncology company, targeting tumours through unique technologies. Incanthera is committed to the development of novel treatments for solid tumours (cancers), and licensing these to large pharmaceutical companies. Operating from Manchester, with research facilities in Bradford and Salford, Incanthera Ltd was established from the University of Bradford's Institute of Cancer Therapeutics (www.cancer.com).

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Incanthera said, when listing on the Aquis Growth Market at the start of year, finding a commercial partner would be a 12 to 18-month odyssey.

On this basis, a deal should be struck at some point next year.

Chairman Tim McCarthy said following the group's results last week conversations in this regard are well underway.

While unable to provide a great deal more commentary around this, he did confirm the Incanthera is looking to work with just one global company from the cosmetics industry.

That deal is likely to be the kind that cedes Incanthera a royalty on sales with the possibility of an upfront payment too.

"This is going to be a comparatively simple deal because the time between licensing and to get to markets will be very short," McCarthy explained.

"There certainly aren't any development milestones which we can ask for a payment against. So, there may or may not be an upfront payment or an exclusivity period [payment]."

A product, meanwhile, could be out on the shelves as early as 2022.

The market opportunity for sun skin care is projected to reach US\$13.7bn by 2024.

"A partner only needs a tiny part of that, in order to start generating significant revenues," said McCarthy.

Is that potential future value captured by the current £12.6mIn market capitalisation?

Hardman & Co argues it probably isn't and uses comparator analysis to back up its point.

It assessed Incanthera against seven AIM-listed peers developing drugs in the cancer field - and highlighted that the median valuation was £53mIn.

Hardman said there is "good upside potential in the event that Incanthera delivers on its stated corporate strategy".

Now, the foregoing is effectively the case for Incanthera based on a conversation with its chairman, spliced with some of Hardman's analysis. There are risk factors too.

Incanthera is a small company holding negotiations with large multi-national. Experience tells us these talks can often be more protracted than billed.

It has cash on its balance sheet and a modest annual spend - so Incanthera's team believes it has enough fuel in the tank to get it to a major value inflexion point.

But with growth companies there's always some funding anxiety.

Additional capital will be required for future expansion of clinical pipeline of more traditional cancer drugs, while funds may also be required for the commercialisation of Sol.

All of this will determine the future trajectory of the share price on Aquis, a market that while successfully challenging the LSE's complacency, still has some issues around liquidity (the ability to get in and out of a position).

These counter-balancing arguments should be borne in mind while assessing the undoubtedly bright outlook for Incanthera. And I will reiterate - do your own due diligence.

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