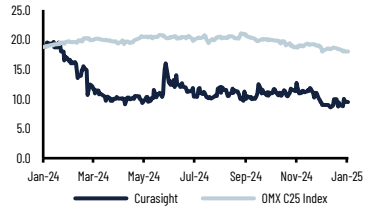
Curasight

Market: Spotlight Stock Market	Ticker: CURAS	Share price (DKK): 9.48	Market cap (DKK): 196.1m	Net cash (DKK): 2.7m	Enterprise value (DKK): 198.8m

*Q3 2024 + T02 warrant gross proceeds

Share information



YTD	-46.6%	1 year:	-49.4%
1 month:	5.8%	3 years:	-62.6%

Note: Closing price from 20 Jan 2025. Rebased to 18.01.2024

Financials

(DKKm)	2022	2023	2024E*
Revenue	0	0	N/A*
Revenue growth	*0%*	*0%*	*N/A%**
Gross loss	-11.5	-25.7	N/A*
EBIT	-19.0	-33.2	N/A*
Cash flow from operations	-16.8	-29.9	N/A*
Cash position	50.0	20.1	N/A*

Note: *No company guidance announced

Pipeline

Cancer type	Product	Phase I	Phase II	Phase III
Brain	uTRACE®	Complete	Complete*	
Brain	uTREAT®	Planned		
Prostate**	uTRACE®	Complete	Ongoing	Planned
Basket trial	uTREAT®	Planned		
Neuroendocrine	uTRACE®	Complete	Complete*	
Head & neck	uTRACE®	Complete	Complete*	
Non-small cell lung	uTRACE®	Complete	Ongoing*	

*Note: *reflects investigator-initiated phase I/IIa study ; **in partnership with Curium*

Company description

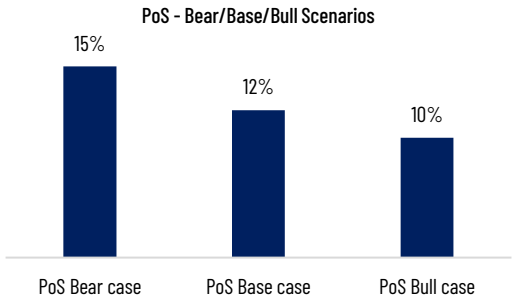
Curasight is a Danish biotech company established in 2013 with headquarters in Copenhagen, Denmark. Curasight was listed on the Spotlight Stock Market in 2020. The company has developed two technologies uTRACE (diagnostics) and uTREAT (therapeutic) based on the uPAR receptor, which is cancer specific, but not cancer-type specific, representing a novel uPAR Theranostic technology platform based on radionuclides, that will potentially diagnose and treat cancer at the same time.

Investment case

The investment case for Curasight is driven by the successful development of its uPAR PET imaging platform uTRACE and targeted radionuclide therapy uTREAT and entering partnerships to validate its technology, obtain funding, and potentially secure successful commercialization. Curasight has entered a partnership with French-based Curium in 2023, regarding uTRACE in prostate cancer, which will provide Curasight with up to USD 70 million in milestones, and strengthens Curasight's ability to source radioisotopes, which have previously been a bottle-neck.

The Phase II uTRACE study with Curium awaits data from the first part of the study in Q1 2025, following which the larger part 2 will be initiated with Curasight expecting Phase II headline results during H2 2025. On the uTREAT side Curasight plans to initiate a smaller study for uTREAT in GBM (Glioblastoma Multiforme), expecting to submit a CTA (clinical trial application) in Q1 2025, expecting preliminary read-out of part 1 of the Phase I/IIa trial data in H2 2025. Following the GBM trial Curasight will run a basket trial for uTREAT across indications.

Curasight's funding requirements were not fully met from its latest T02 warrant program and continues discussions with institutional investors, and potential milestone payments from its Curium partnership to reach its clinical goals. We assess funding has negatively impacted the share with our model suggesting a market implied PoS for only uTRACE of 12%, below the biostatistics average of 15% for an asset in Phase II.



Key investment reasons

Curasight has gained proof-of-concept for its uTRACE diagnostic technology based on the uPAR receptor in phase II studies in four different cancer indications with over 400 total patients. Additionally, interest in radionuclide-based treatments like uTREAT has significantly increased in recent years from the scientific community and from the established pharmaceutical industry.

An accelerated (parallel) successful development of uTRACE and uTREAT will make it possible for Curasight to address the more lucrative therapeutic market (uTREAT), which Curasight estimates to have an addressable market around 25x larger than diagnostics (uTRACE). Also, the uPAR based technology is cancer specific, but not cancer-type specific, making the technology potentially viable for diagnosing and treating additional cancer types.

Curasight will sell their products through partners, which allows the company to focus on R&D and lowers risk of the commercialization process to be successful. Additionally ongoing milestone revenue from uTRACE can part fund clinical progression of its uTRACE and uTREAT platforms. Still, according to our model, the market implicitly suggests there is a lower probability of success (PoS) for only uTRACE to launch compared to average industry approval rates. This suggests a positive market reaction if successful.

Key investment risks

Curasight's uPAR based technology for uTRACE and uTREAT are still in their developing phases, and there are no guarantees the products will be approved – neither individually or combined.

Curasight has a net cash position of DKK 2.7 million as of Q3 2024, including gross warrants. The limited cash position will require additional capital to fund clinical development, this may be dilutive for existing shareholders. However, milestones from Curium may somewhat lessen capital raise requirements.

Curasight will secure commercialization partners for uTRACE and uTREAT, but it may not be able to negotiate favorable terms with other partners than Curium. Even with partners, there is no guarantee product launches will be commercially successful.

Like many other biotech companies, Curasight can be affected by low-risk appetite in financial markets, which can increase the dependence on the issue of warrants to internal management and employees to secure funding, resulting in potentially a high level of dilution.

Appendix – Discussion of assumptions in DCF-model

The model

This one-pager does not aim to determine a price target for Curasight shares but rather provides investment perspectives using a simplified Discounted Cash Flow (DCF) model across different scenarios. The model uses scenarios to indicate the extent to which Curasight's current market capitalization reflects the implied probability of success (PoS) for its uTRACE pipeline to achieve marketing authority and successful commercialization across its markets, based on the model assumptions described below. We currently exclude uTREAT until further details regarding its Phase I/IIa trial are given following a successful CTA approval. This is not to say that uTREAT pipeline products included in the accelerated parallel basket-trial cannot be successful sometime in the future but given the pre-clinical development stage we consider uTREAT an 'optional' type of value at this point.

Market size and market growth

The addressable market sizes of the four different cancer indications have been estimated by Curasight in publicly available documents or presentations, and these estimates are used in the model. The model considers the growth in the overall market size and the number of annual treatments performed per indication. The overall radionuclide market is among the fastest growing markets within biotech, also leading to large industry deals with several valued in excess of USD 1 billion. We conservatively assume a market growth rate of 5% towards 2030, falling to 3% thereafter, and assume a negative terminal period growth rate of -25% to reflect competitive pressures following patent expiry.

Market share and revenue

Depending on the indication, different levels of peak market shares are expected. Our model focuses solely on the uTRACE diagnosis pipeline, with a view to include uTREAT following a Phase I CTA and a preliminary data readout. Our market share estimates are therefore focused on diagnosis, where uTRACE has completed Phase I/IIa trials across four cancer types. uTRACE for brain cancer is expected to peak at 30%, driven by the very high mortality and unmet need within glioblastoma. uTRACE for prostate cancer at 5% due to the competitive field of diagnostic products available in the huge market, uTRACE for neuroendocrine tumours at 15%, and uTRACE for head and neck cancer at 20%, and respectively.

Generally, the markets share levels are assumed to reflect the competitive dynamics and niche characteristics of the markets; with a higher market share generally accessible in a more niche market, but also relating to the respective unmet need. Generally, a high market share is often difficult to obtain immediately after product launch due to established workflow processes within hospitals etc., but for novel cancer diagnostic products, this general perception could prove to be to conservative. However, for simplicity reasons and modelling purposes, we model linear penetration curves from launch to peak market share in the respective markets. We expect that uTRACE for prostate cancer will be launched a year ahead of other indications in 2028, driven by the partnership with Curium, with the remaining indications following in 2029.

Discount rate

The model uses a discount rate of 15% reflecting the generally high level of investment risk and uncertainty typically associated with forecasting future cash flows from biotech companies. As Curasight is active within the field of development of novel cancer diagnostic and cancer treatment products which would generally be perceived to have higher risk than average, it can be argued that a higher discount rate is appropriate, but the model uses the widely accepted 15% within the industry.

Probability of successful launch (PoS)

Based on historical data from Biostatistics research containing 5,764 pipeline projects in pharmaceutical and biotech companies, the average historical likelihood of a pipeline project passing through to launch from Phase 2 is appr. 15%. This is calculated across all medical indications, including those areas that are typically perceived as being very difficult to pass.

A lower-than-average PoS illustrates that the market implicitly thinks there is a lower-than-average likelihood for Curasight to successfully launch uTRACE through various partnership deals and/or that further diluting capital raises should be expected. Another way to interpret a low PoS is that it suggest a corresponding potential value increase in the market value of the Curasight if uTRACE is approved and successfully launched - all things being equal.

EBIT-margin and royalty rates

According to the CapitalIQ Financial System, five-year average EBIT-margins within major pharmaceutical and biotech companies are approximately 30%. Looking at biotech companies specifically, the five-year average is approximately 50%, reflecting a generally more focused business model that is often based on higher economies of scale and partnership deals, which is also the strategy for Curasight. However, to be conservative, the model assumes an EBIT-Margin of 40%, which reflects that Curasight will continue to have development and sales, and administrative costs even when various partnership deals have been made.

It is expected that Curasight can obtain an average royalty rate of 25% across its partnership deals. There will be variations depending on the type of partnership, if it is a partnership based on uTRACE or uTREAT – or both, the duration of the deal, and the level of exclusivity etc., but overall, a royalty rate of 25 % is considered appropriate and comparable to industry standards if the products are highly valuable and represent a novel approach. However, given the earlier stage of partnership with Curium we model a 15% royalty for this specific indication.

Capital increases

At this point, it is assumed that a combination of the financial implications of entering into partnership deals, non-diluting alternate financing of DKK 50 million (with an assumed 'cost' of DKK 10 million) and funding from warrant programs being exercised will provide Curasight with sufficient capital to finance the company until cash flow generation becomes positive. Therefore, at this point, the only potential dilution from a share count perspective refers to the effect from the warrant program being exercised.

Appendix – Results and Conclusion

Scenarios

Based on the previously mentioned assumptions regarding market size and growth, level of profitability, market share and discount rate, different scenarios can be simulated to assess how much the market is implicitly discounting as far as the likelihood of launch of uTRACE through partnership agreements is concerned. As illustrated, the model has simulated the implicit likelihood in 3 scenarios; a bear-, base- and bull-case scenario using the indicated level of peak market share levels as the main differentiator. Accordingly, the remaining criteria discussed are assumed to be the same in all scenarios.

Base case scenario

In the base case scenario, the model uses the indicated combined market size of the four indications of uTRACE as estimated by Curasight. The model uses an EBIT margin of 40% and royalty rate of 25% (15% for prostate cancer) as well as an estimated peak market share for brain cancer, prostate cancer, neuroendocrine tumours, and head and neck cancer of 30%, 5%, 15%, and 20% for the four uTRACE indications, respectively. Based on this, the market currently implicitly assumes there is a 12% probability of successful launch (PoS) for uTRACE through partnership deals according to the model. This compares to a historical average level of success of approximately 15% for pipeline projects across all indications, and likely even higher likelihood for biotech companies developing diagnostic products, similar to uTRACE. In other words, the market attributes around one tenth of a chance for Curasight to be successful with uTRACE compared to other biotech companies developing diagnostic products.

Bear case scenario

In the bear case scenario, the model uses an estimated peak market share for the indications are 20%, 4%, 12.5%, and 15%, for the four uTRACE indications, respectively. The remaining assumptions are all similar to those used in the base case scenario, i.e an EBIT margin of 40% and a royalty rate of 25% (15% for prostate cancer). Based on this, the market currently implicitly attributes a 15% probability of successful launch (PoS) for uTRACE in a bear case scenario according to the model.

Bull case scenario

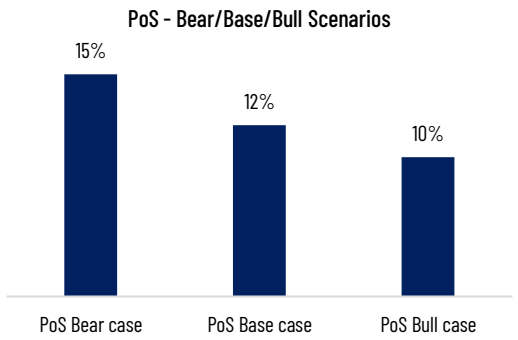
In the bull case scenario, the model uses an estimated peak market share of 40%, 6%, 17.5%, and 25% for the four uTRACE indications, respectively. The remaining assumptions are all similar to those used in the base case scenario, i.e an EBIT margin of 40% and a royalty rate of 25% (15% for prostate cancer). Based on this, the market currently implicitly assesses there is a 10% probability of successful launch (PoS) for uTRACE in a bull case scenario according to the model.

Conclusion

Curasights latest TO2 warrant program only raised DKK 5.4m gross proceeds (before fees), significantly below the upper bound with a subscription rate of only 12.7%. As a result the company will likely have to raise additional capital in the near-term which may also be dilutive to shareholders, with the market implicitly suggesting a below average level of confidence. While the implied market PoS is not significantly below the biostatistics implied historical PoS of 15%, when considering the value of uTREAT is currently excluded from our model, and diagnostic approaches typically have a greater chance of clinical approval, the market confidence is thus more significantly below the historical benchmark.

Preliminary efficacy data from the Phase II study with Curium could lead to a milestone payout, improving the capital situation, while increasing market confidence depending on the strength of the data read-out. We see the capital situation as a major influence on the implied PoS and announcement of a capital injection via direct issue or additional partner agreement with significant up-front payment could ease uncertainty surrounding Curasight's capital situation. Additionally, confirmation of a CTA application for uTREAT would also signal clinical progress within the potentially highly valued uTREAT leading the market to attribute greater value to this part of the business. Also, generally a low PoS is not uncommon for biotech companies still in their developing phase seeking funding that will potentially dilute the share base.

As described, although Curasight has the ambition to accelerate a parallel development of uTRACE and uTREAT, only uTRACE is included in the model at this point. However, any news regarding either positive data readouts from pre-clinical trials of uTREAT, or announcements of partnership deals for uTREAT will both be seen as a validation of the uTREAT technology and make probable that the market currently underappreciates the potential value of the combined uTRACE and uTREAT technology platform.



Note: Probability of success (PoS) model based on general market assumptions and HC Andersen Capital assumptions.