# Endocyte – QuickView

14 November 2011

| Event | Q3 results |
|---|---|

## Investment summary: Doxil issue buying op

**Concerns about delays in recruitment into Endocyte's Phase III study of the folate-receptor targeted anticancer EC145, stemming from a supply shortage of the co-administered Doxil (pegylated liposomal doxorubicin, PLD), have caused a 30% decline in the shares in the past month. This, in our view, presents an unexpected buying opportunity in this high-quality, emerging US oncology player. Endocyte has confirmed it remains on target to file EC145 in the EU in Q112 and is examining possible study modifications to allow it to resume recruitment in the US.**

### PLD shortage means patients cannot PROCEED into study

Endocyte has been unable to enrol any US patients into its PROCEED Phase III trial of EC145 since July because of the supply shortage of PLD. Ironically, it will shortly start enrolling patients in Europe, where it has been able to source the drug. The 640-pt PROCEED study tests EC145 in combination with PLD in platinum-refractory ovarian cancer, with patents stratified based on their folate-receptor expression.

### Conditional EU filing target for Q112

Endocyte expects to seek conditional approval in the EU for EC145 in folate-receptor positive patients in Q112. Furthermore, the delay in the PROCEED study may even make the EU review more straightforward, since it will not now come ahead of an important Phase III study read-out.

### Strong Phase II efficacy data, more trials planned

The EU filing will be based on two Phase II studies in ovarian, including the 149-pt PRECIDENT trial that showed a highly significant 2.3 month increase in PFS (and four months in folate-receptor positive patients). A single-arm Phase II in lung cancer has completed and a randomised Phase II in NSCLC is expected in 2012.

### Valuation: Sell-off creates attractive buying opportunity

Endocyte is well financed (net cash of $127m) and has had a buoyant share price following its February IPO. The recent sell-off creates a geared play on the potential of EC145 with multiple catalysts (filing, approval and partnering).

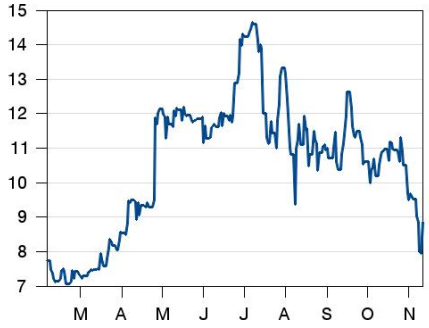
## Consensus forecasts

| Year End | Revenue ($m) | PBT ($m) | EPS ($) | DPS ($) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 12/10 | 0.0 | (20.1) | (21.8) | 0.0 | N/A | N/A |
| 12/11e | 0.0 | (42.4) | (1.5) | 0.0 | N/A | N/A |
| 12/12e | 8.2 | (48.4) | (1.2) | 0.0 | N/A | N/A |

Source: Bloomberg

| | |
|---|---|
| Price | $8.84 |
| Market Cap | $315m |

Share price graph




Share details

| | |
|---|---|
| Code | ECYT |
| Listing | NASDAQ |
| Sector | Biotechnology |
| Shares in issue | 35.6m |

**Business**

Endocyte is US biotech company developing small molecule drug conjugates for cancer and inflammatory disease. It has four drugs in clinical development: EC145 (ovarian, Phase III and NSCLC Phase II), EC0489, EC225 and EC17 (all Phase I, solid tumours).

**Bull**

- EU filing could lead to EC145 approval by year-end 2012.
- Folate receptor is a validated target/ companion diagnostic a bonus.
- Potential for licensing deal catalyst for EC145.

**Bear**

- Doxil supply issues could delay PROCEED Phase III trial.
- Protocol changes to PROCEED could have unintended effects.
- EC145 may have to go up against Avastin in refractory ovarian setting.

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