Cerulean

Pharma & biotech

9 March 2015

Price	$8.03
Market cap	$162m

Upcoming price inflections on clinical pipeline

Cerulean is entering a rich newsflow period with multiple clinical junctures in the coming months. The company will announce key data for CRLX101 in relapsed renal cell carcinoma (RCC) at ASCO 2015 with interim data in two additional indications expected in Q115. Recent financial agreements with Hercules have provided Cerulean with the resources to fund ongoing trials, including the advancement of its two lead drugs, CRLX101 and CRLX301.

Key data points for CRLX101 expected in early 2015

Cerulean's CRLX101 is a nanoparticle-drug conjugate (NDC) targeting cancerous tumours with a slow release of its payload, camptothecin, inhibiting HIF-1 and topoisomerase 1. CRLX101 appears to be more potent and better tolerated than currently marketed topo 1 inhibitors. HIF is a master regulator of cancer survival and an important novel cancer target. Full Phase II data will be presented at ASCO 2015 for CRLX101 in combination with Avastin in relapsed renal cell carcinoma. This final data set from all 22 patients in the study follows the interim data in 11 patients that led to Cerulean's IPO in April 2014. Interim data are also imminently expected (Q115) for CRLX101 combined with chemoradiotherapy in neoadjuvant non-metastatic rectal cancer as well as in combination with Avastin in second- and third-line ovarian cancer.

Multi-treatment potential from differentiated platform

Cerulean's tumour-targeting system offers efficient drug delivery via NDCs aimed at improving the safety and efficacy of cancer treatments by selectively attacking tumour cells, thereby sparing the body's normal cells and enabling combinations with other cancer treatments. Cerulean will present Phase I results from a Phase I/IIa trial for a second NDC, CRLX301 (with a docetaxel payload) in solid tumours by year-end 2015. We expect at least one more new drug candidate to follow in 2016 while the technology platform holds the potential for NDC combinations with numerous currently marketed compounds.

Valuation: EV of c $120m

Following its IPO, when the company raised $67m in new funds, in January 2015 Cerulean secured a term loan with Hercules Technology Growth Capital for up to $26m. We estimate that Cerulean had net cash of c $43m at end-February resulting in an EV of c $120m, reflecting a company with an established proof of principle and positive safety data for its lead drug candidate. Positive upcoming data for CRLX101 could trigger a re-rating of the share. However, we expect Cerulean will require further financing from 2016 to fund future pipeline development.

Historical financials

Year end	Revenue ($m)	PBT ($m)	EPS ($)	DPS ($)	P/E (x)	Yield (%)
12/12	0.6	(22.2)	N/A	0.0	N/A	N/A
12/13	0.0	(17.1)	(2.09)	0.0	N/A	N/A

Source: Cerulean company reports

Share price graph

Share details

Code	CERU
Listing	NASDAQ
Shares in issue	20.1m

Business description

Cerulean is a US-based oncology-focused company with a differentiated nanoparticle-drug conjugate platform. Lead product CRLX101 combined with Avastin is in Phase II clinical trials in 3rd- and 4th-line RCC and 2nd- and 3rd-line ovarian cancer. CRLX101in combination with chemoradiotherapy is also in Phase Ib/IIa in neoadjuvant rectal cancer.

Bull

- Two high-potential products in clinical development.
- Research platform with potential to piggyback off numerous >$1bn launched oncology products.
- Upcoming clinical catalysts in H115.

Bear

- Limited data from larger-scale trials on lead compounds.
- Limited cash reserves to develop pipeline.
- Company's ability to commercialise products is unproven.

Analysts

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