

Coherus Oncology (CHRS) – Stock Analysis & Recommendation

1. Key Financials

- **Market Cap:** ~\$150 million (micro-cap) ¹
- **Revenue:** \$257 million in FY2023 (from biosimilars) ² ; **2025E revenue** guided at only \$40–50 million post-divestitures ³
- **Gross Margin:** ~56% historically (FY2023) ² ; future margins TBD as product mix shifts to novel drugs
- **Cash:** \$238 million (Q2 2025) ⁴ – bolstered by asset sales – **enough runway through 2026** ⁴
- **Debt:** Essentially **zero** – paid off \$230M of 2026 notes using sale proceeds ⁵ ⁶ (removing interest burden)
- **Cash Burn:** Ongoing **negative FCF** – e.g. ~\$47M net loss in Q1 2025 ⁷ . Annual burn ~\$150M, but cost cuts (30% staff layoff) save ~\$25–30M/yr ⁸ ⁹ , reducing burn rate
- **Shares Outstanding:** ~116 million ¹⁰ (float ~111M; insiders hold <7% ¹¹)
- **Valuation Multiples:** Stock trades **below net cash value** (Enterprise Value \approx \$0 or negative) ¹² . Trailing **P/S \approx 0.6** (150M/257M) and **P/B < 1** – deep value territory. Trailing **P/E ~2.4** (artificially low from one-time gains), not meaningful as current earnings are negative

2. Business Model & Competitive Position

Coherus was historically a biosimilar drug maker but **pivoted to immuno-oncology** in 2023–2024 ¹³ ¹⁴ . It **divested its biosimilar portfolio** – including Lucentis, Humira, and Neulasta copies – to refocus on its own cancer therapeutics ¹⁵ ¹⁴ . Today, Coherus (rebranded “**Coherus Oncology**”) is essentially a small biotech with one marketed product and a pipeline of experimental cancer drugs.

- **Current Product (Loqtorzi):** A PD-1 immune checkpoint inhibitor (toripalimab) licensed from China's Junshi. **Approved for nasopharyngeal carcinoma (NPC)** – a rare head & neck cancer – where it's the only FDA-approved PD-1 therapy ¹⁶ . Market size is niche (~2,000 NPC patients/year in U.S., ~\$150–200M peak opportunity) ¹⁷ . Coherus launched Loqtorzi in Jan 2024 at a ~20% discount to Keytruda's price ¹⁸ ¹⁹ to drive adoption. While **competition** from Merck's Keytruda or other PD-1s looms (doctors could prescribe those off-label for NPC), Loqtorzi enjoys first-to-market advantage in this indication and is now included in NCCN treatment guidelines (helping uptake in oncology centers) ²⁰ . The strategy is to expand Loqtorzi's use beyond NPC: a **Phase 3 trial in first-line liver cancer (HCC)** was successful ²¹ ²² , which could support approval in that much larger indication (HCC had ~330k U.S. deaths vs 14k for NPC over two decades ²³). In Europe, partners are launching toripalimab in NPC and esophageal cancer ¹⁶ , validating its global potential.
- **Pipeline:** Early-stage immunotherapies aiming to complement Loqtorzi. **CHS-114** is an anti-CCR8 monoclonal antibody designed to deplete T-regulatory cells in tumors (enhancing T-cell attack) – targeting second-line head & neck cancer ²⁴ ²⁵ . **Casdozokitug** (IL-27 antibody) is being tested in

combination with toripalimab (and Avastin) in solid tumors like **first-line HCC** (Phase 1b/2) ²⁶ ²⁷ . Both agents are in Phase 1/2 with data expected in 2026 ²⁸ , so they are **high-risk/high-reward prospects**. The **moat** here is mainly scientific: these novel mechanisms (CCR8, IL-27) could be “best-in-class” if successful ²⁹ , but it’s too early to tell. Numerous big players are also developing oncology immunotherapies, so Coherus will need compelling data to stand out. On the PD-1 front, **differentiation is modest** – Coherus claims Loqtorzi can benefit patients with low PD-L1 expression (a subset less responsive to Keytruda) ³⁰ , but it faces an uphill battle against entrenched competitors with massive salesforces. In summary, Coherus’ competitive position is that of a niche oncology player: it swapped a stable but low-margin biosimilar business for a shot at proprietary drugs. This offers higher upside if its drugs gain traction, but **no strong moat** yet – success will depend on execution, clinical outcomes, and carving out underserved niches.

3. Price & Volume Behavior

Share Price Trend: CHRS has been volatile. The stock **plunged in 2022–2023** amid operating losses, hitting a 52-week low of \$0.66 ³¹ when financing fears peaked. Optimism returned in late 2024 after Coherus announced major asset sales (injecting cash and paying down debt), which briefly drove shares to a 52-week high of \$2.43 ³¹ . However, in the first half of 2025 the stock **downtrended** again – from the ~\$2 level in January toward ~\$0.80 by midsummer – as the reality of sharply lower revenues (post-divestiture) and continued losses set in. By July 2025, CHRS was trading under \$1 and received a Nasdaq compliance warning (see Risks) ³² . After Q2 2025 results in August (which showed improving cash and Loqtorzi growth), the stock **rebounded slightly** above \$1.00 ³¹ . As of early September 2025, CHRS hovers around **\$1.15–\$1.30** per share, still down ~50%+ year-to-date and far below its multi-year highs. The **1–6 month momentum** is mediocre: essentially base-building around the \$1 level after a prolonged decline, suggesting the market is waiting for a catalyst or proof of turnaround.

Volume & Liquidity: Average daily volume is about **1.49 million shares**, which at ~\$1/share is ~\$1.5M in daily dollar volume – **decent liquidity for a micro-cap**. The bid/ask spread is generally tight given the active trading. Volume has been consistent, with periodic spikes on news (e.g. announcement of the Intas deal in Dec 2024, earnings releases). There are signs of **mixed accumulation/distribution**: Some institutional investors loaded up in late 2024 (Point72 added ~5.3M shares in Q4 2024) ³³ , likely anticipating the oncology pivot, while others reduced stakes (e.g. Rubric Capital trimmed holdings) ³⁴ . This churn reflects uncertainty. Notably, short sellers have piled in – **short interest is ~29% of float** (32.7M shares short as of Aug 15, 2025) ³⁵ . This high short interest indicates significant bearish sentiment and likely contributed to selling pressure. It also means **any positive surprise could trigger a short-covering rally**, given the ~23 days-to-cover at average volume ³⁶ . Overall, CHRS’s relative strength has lagged the biotech sector recently, but its heavy cash position and upcoming events could lead to a **decoupling** (i.e. idiosyncratic moves) rather than trading purely on sector sentiment.

4. Risks & Red Flags

- **Nasdaq Listing Compliance:** Coherus received a notice in July 2025 for trading below \$1 for 30+ days ³² . It has until **Dec 29, 2025** to cure this (by getting the share price back over \$1 for 10+ days) ³² . Failing that, a **delisting or reverse stock split** looms ³⁷ . This creates a time pressure – management may need to take action to boost the stock (see Catalysts). A reverse split, while purely cosmetic, could be a red flag if done without fundamental improvement, as it sometimes precedes further price declines. Investors should monitor this closely.

- **Dilution & Financing: Dilution risk is low in the near term** – ironically, Coherus raised cash by selling assets instead of issuing equity. With \$238M in cash and no debt ⁴ ⁶, it has **no immediate need for an offering**. There is an existing shelf registration/ATM program from 2023, but management is unlikely to tap it at ~\$1 per share (highly dilutive) unless absolutely necessary. However, if cash burn stays ~\$40M per quarter and Loqtorzi sales don't ramp up, by 2026 they might need to raise capital or find a partner. For the 1–6 month horizon, dilution is **not expected** – a positive, given many micro-caps resort to dilutive financings.
- **Solvency & Going Concern:** After paying off its \$230M converts, Coherus has **no significant debt** ⁶ and has cut operating costs. It projects its cash runway extends through 2026 ⁴, suggesting no near-term insolvency risk. That said, the company is still losing money (Q2 net loss of ~\$39M) and now lacks the steady biosimilar revenues it once had. If Loqtorzi sales disappoint and pipeline milestones are far off, the cash could dwindle faster than expected (for instance, if they decide to initiate costly Phase 3 trials on their own). As of now, auditors have not issued a going-concern warning thanks to the cash inflows, but sustaining operations beyond 18–24 months will require either commercial success or external help. This **medium-term solvency risk** keeps some investors sidelined despite the current cash cushion.
- **Execution & Market Adoption:** Coherus is essentially launching a **new oncology drug (Loqtorzi) as a small company** – a challenging task. Initial uptake has been mostly in academic centers; **community oncologists have been slower to adopt** ³⁸, likely due to familiarity with Keytruda/Opdivo and the rare nature of NPC. If Loqtorzi fails to gain traction or expand labels, Coherus will have no meaningful revenue source. Competing against pharma giants in immunotherapy (for HCC and other common cancers) is daunting – e.g. Roche's Tecentriq is already first-line in HCC combined with Avastin. Coherus must show that toripalimab can carve out a niche or combo advantage. **Pipeline execution** is another risk: their two lead pipeline compounds are unproven in humans beyond Phase 1. Any clinical setback (safety issue or lack of efficacy) in the next trial updates (though likely >6 months out) would damage the long-term thesis. In short, Coherus has **high execution risk** – it traded a known (but declining) revenue stream for a speculative pipeline, and now must prove the bet was worth it.
- **High Short Interest:** The ~30% short float indicates many traders are betting against Coherus ³⁵. Possible reasons: skepticism that a small-cap can successfully commercialize a PD-1, or belief that cash will be squandered. This is a double-edged sword: on one hand, shorts add **downward pressure** and often signal smart money doubts. On the other, such an overcrowded short can fuel a **short squeeze** if the company delivers good news. The presence of large shorts increases volatility around news events. It also means any missteps could be **amplified** as shorts press their advantage. Investors should be prepared for stock swings in both directions.
- **Insider & Governance Factors:** Insider ownership is fairly low (~1–6% range) ¹¹, so management's interests are mostly aligned with shareholders but not heavily invested personally. There have been no significant insider buys at the lows, which some view as a lack of confidence. In late 2023, the CEO exercised options and **sold some shares** (for tax obligations) ³⁹, but no major insider selling beyond routine trades has been noted. Corporate governance appears standard for a Nasdaq small-cap; the CEO (Denny Lanfear) is also Chairman, which concentrates power, but he successfully led the company through the biosimilar phase. One possible concern is **reliance on partners**: e.g. Coherus's main product is licensed – it pays Junshi Biosciences royalties (undisclosed %, likely mid-teens) and milestones. Also, Coherus acquired its pipeline via buying Surface Oncology in 2023 (all-stock deal) – integrating those assets and team poses execution risk. Lastly, Coherus must maintain regulatory compliance (quality manufacturing, etc.) – any FDA or audit flags could be disastrous, though none are known currently. Overall governance risk is moderate and **not thesis-breaking** absent new issues.

5. Upcoming Catalysts (within 6 months)

- **Q3 2025 Earnings – November 10, 2025:** This quarterly report will be closely watched for **Loqtorzi sales trends**. Q2 saw \$10M in Loqtorzi revenue (up +36% QoQ) ²⁰; if Q3 shows continued strong growth (from wider NCCN guideline adoption or more community uptake), it could surprise the market on the upside. Management's commentary on prescriber traction and 2025 revenue guidance (currently \$40–50M ³) will be key. Also, any updates on cash burn and cost savings will inform how long the cash runway might extend. A significantly **better-than-expected earnings** (smaller loss, higher sales) would likely catalyze a relief rally. Conversely, a miss could put more pressure on the stock before year-end.
- **Nasdaq Compliance Deadline – late December 2025:** By end of December, CHRS needs to be back above \$1. Management has indicated they aim to **cure via organic improvement**, but if the price remains stubbornly low, they might undertake a **reverse stock split** (likely to be authorized in advance, just in case ⁴⁰). More intriguingly, the ticking clock **creates urgency for strategic actions** ¹². Coherus could pursue avenues to boost the stock: e.g. announce a share buyback (less likely for a cash-burning company), or **entertain buyout offers**. The compliance issue effectively serves as a catalyst for management to *do something* to unlock value (they will want to avoid the stigma of delisting). Investors anticipate that **any corporate development – such as merger talks, a strategic investment, or asset sale/partnering news – could emerge by Q4 2025** if the stock stays low ⁴⁰. Even speculation of such moves could propel shares quickly.
- **Potential M&A / Buyout Scenario:** Given Coherus's **low valuation (EV ≈ \$0) and sizeable cash**, it stands out as a potential **takeover target** ⁴⁰. An acquirer could essentially get ~\$238M cash plus an FDA-approved PD-1 drug for ~\$150M net – a bargain if they see strategic fit. The ongoing industry consolidation in oncology (larger players scooping up promising assets) makes this plausible. The CEO has openly repositioned Coherus for “maximizing the opportunity ahead for Loqtorzi” ⁴¹ – if a bigger pharma can maximize it better, a deal could be win-win. While one cannot predict a buyout with certainty, the **odds of a proposal in the next 6 months are not negligible** due to the disconnect between Coherus' market price and its assets. Any hint of buyout interest (rumors, 13D filings by activist investors, etc.) would be a major catalyst.
- **Regulatory/Clinical Milestones:** No **major FDA approvals** are expected in the immediate term (Loqtorzi is already approved in NPC, and new indications won't be approved until trials are fully done and submitted). However, one possible catalyst is an **FDA filing for Loqtorzi in HCC**. Junshi/Coherus reported positive Phase 3 HCC data in mid-2024 ²¹ and plan to seek approval “in the near future” ⁴². If Coherus announces an sBLA filing (or FDA acceptance of that filing) for toripalimab in liver cancer, it would signal progress to a much larger market. Even before formal approval, this could generate investor excitement (HCC is ~30–60x the patient population of NPC ²³ ⁴³). Timing wise, an FDA submission might occur around late 2024 or early 2025 – news of that in the coming months would be a **positive catalyst**. Additionally, any interim clinical data from ongoing trials (e.g. an update on the IL-27 or CCR8 programs at a medical conference) could serve as a minor catalyst, though Phase 1 data is early.
- **Partnerships or Business Development:** Coherus might seek partners to co-develop or commercialize its pipeline (to conserve cash). For example, a regional licensing deal for CHS-114 or casdozokitug, or a co-promotion deal to help sell Loqtorzi in the U.S., could bring in non-dilutive funds or expertise. The company already partnered ex-US rights of toripalimab (e.g. Leo Pharma took EU rights) ⁴⁴ ¹⁶. A **new partnership announcement** – say for combination trials or overseas markets – could provide a sentiment boost. Similarly, if any **institutional investor takes a notable**

stake (13G filing), that vote of confidence can lift the stock. These are speculative, but in a depressed stock, even small positives can move the needle.

In sum, the next 1–6 months hold **multiple potential catalysts**. The most concrete are earnings and the listing deadline (with whatever that provokes). There is also an overarching catalyst: **market recognition of the valuation gap**. As the dust settles from the strategic overhaul, investors may simply realize that Coherus at ~\$1 has overcorrected – especially if the company demonstrates operational progress in the next couple of earnings reports.

6. Alpha Thesis

Asymmetric Upside from Mispricing: Coherus Oncology represents a case of a stock trading **below liquidation value**, with a potentially viable business emerging from a major transition. The market cap (~\$150M) is **significantly less than the \$238M in cash on hand** ⁴. In effect, Mr. Market is assigning **zero (or negative) value to Coherus' drug portfolio and pipeline** ¹². This extreme pessimism sets up a favorable risk/reward over 1–6 months: **downside is cushioned** by the cash (and the fact that insolvency or heavy dilution in that timeframe is off the table), while **upside could be substantial** if any catalyst forces a re-rating. The company's strategic pivot – selling steady assets to focus on a high-growth oncology opportunity – has been met with skepticism and a sell-off. Our thesis is that this skepticism is **overdone**, and that the next few months will provide clarity that unlocks value.

Several converging factors support an **alpha-generating long position** here:

- **Improving Fundamentals:** Now unburdened by debt and with operating expenses trimmed, Coherus can devote resources to growing Loqtorzi sales. Early sales, while modest, are trending upward (Q2 PD-1 revenues +65% YoY) ⁴⁵. Even if Loqtorzi only captures the NPC market, that could be ~\$150M/year in revenue by a few years out ¹⁷ – a multiple of the current market cap. The stock is not priced for this at all. In the next 1–2 quarters, we expect **continued sales growth** (from near zero base) which, coupled with expense cuts, will shrink losses. Each step towards breakeven will challenge the “going-out-of-business” narrative that shorts have been pushing. Essentially, the core business is turning a corner post-restructuring, but the stock still trades as if bankruptcy is imminent – a disconnect we aim to exploit.
- **Catalyst-Rich Timeline:** Unlike some deep value plays that stay value traps, CHRS has concrete catalysts ahead (as outlined) that could **close the valuation gap quickly**. The Nasdaq compliance deadline in Dec 2025 is a particularly interesting one – it creates a “hard stop” by which something likely has to give (either the price goes up, or management takes action) ³⁷ ⁴⁰. We believe this dramatically increases the chances of a **positive event** in the next ~3 months – be it a partnership, an outright acquisition offer, or at minimum, strong operational updates to justify the stock price. The presence of a large short overhang actually adds fuel – any good news could force rapid short-covering, accelerating gains. In essence, the stock has a **lot of ways to win** in the near term: fundamental improvement, strategic surprise, or even technical mean-reversion.
- **Misunderstood Strategy:** The market appears to be focusing on what Coherus *gave up* (biosimilar revenues, which were declining and low-margin) instead of what it *gained* (a cleaner balance sheet and a shot at a novel drug market). In doing so, it overlooks that Coherus now has what many micro-caps lack: **ample cash to fund development and no debt overhang**. This removes the typical

dilution/insolvency risk that plagues micro-cap biotechs. It means Coherus can execute on its plan without needing shareholder bailouts for the foreseeable future. Furthermore, Coherus' management has a track record of value creation – they built the biosimilar business and then monetized it at fairly high prices (e.g. \$483M for Udenyca) ⁴⁶ ⁴⁷. This suggests they are pragmatic and will monetize assets when it makes sense. The **edge for investors** here is recognizing that Coherus' cash and assets afford it strategic flexibility that the market isn't crediting. For example, Coherus could even **buy back shares** at these distressed levels (each \$1 spent returns >\$1 in net asset value per share given the discount). Or, as mentioned, it could be sold outright for a sum-of-parts far above the current price. This flexibility, combined with management's apparent willingness to act (they've restructured aggressively to focus on ROI), gives us confidence that the value gap will not persist indefinitely.

What Could Go Wrong: The primary risk to our thesis is **lack of positive catalysts coupled with continued cash burn**. If, over the next 6 months, Coherus fails to demonstrate tangible progress – e.g., Loqtorzi sales stagnate or come in below expectations, and no partner or buyer emerges – then the stock could remain stuck or even drift lower. In such a scenario, shorts would feel vindicated that the pivot isn't working, and the company might be forced into a reverse split at year-end without any fundamental boost. That could prolong the pain for shareholders. Additionally, an unexpected negative event (however low-probability) would derail the thesis – for instance, if a safety issue with Loqtorzi arose, or if the FDA imposed new hurdles (recall that toripalimab's initial approval was delayed by FDA queries). These would deflate any notion of near-term upside. **External market conditions** could also dampen performance: if biotech as a whole sells off or if risk appetite wanes, a micro-cap like CHRS might struggle to attract interest no matter its intrinsic value. In short, the thesis hinges on the market waking up to Coherus' value *within the next few months* – if that awakening is delayed or if Coherus fails to catalyze it, the stock could languish at these depressed levels longer than our investment horizon, making [Buy] the wrong call. We would be watching the Q3 results and any management signals closely – if they do not show improvement or a sense of urgency, it would weaken our bullish thesis.

7. Final Recommendation: [Buy]

Coherus (CHRS) is a [Buy] for a 1–6 month micro-cap portfolio position, based on:

- **Deep Valuation Disconnect:** The company's **net cash (\$238M) exceeds its market cap** ⁴, meaning investors get the Loqtorzi oncology franchise and pipeline essentially **for free** ⁴⁸. This offers a **margin of safety** – downside is limited by cash value, while any success in monetizing the pipeline or drug sales could deliver outsized upside. Few micro-caps trade at such a steep discount to assets.
- **Catalyst-Rich Near Term:** Multiple events in the next 6 months could **unlock value** and correct the mispricing. These include improving quarterly results (Loqtorzi sales growth), the late-December Nasdaq compliance trigger (forcing management's hand) ³⁷, and the strategic possibility of a **buyout or partnership** given the company's attractive assets ⁴⁰. With nearly 30% of the float sold short, any positive news could spur a sharp rally as shorts cover ³⁵. In short, the stock has identifiable near-term catalysts that provide **clear avenues for alpha**.
- **Strong Financial Position, Low Risk of Ruin:** Coherus has **no debt and a hefty cash runway through 2026** ⁴ after monetizing its legacy business. This eliminates major "thesis-breaking" risks

like dilution or insolvency in the immediate term. Unlike many micro-caps, CHRS can fund its operations and clinical trials without tapping equity markets or credit for at least the next year or two. This financial stability, combined with recent cost cuts and refocused strategy, means the company can execute from a position of strength. The absence of near-certain downside catalysts (e.g. no looming debt default or dilutive offering) makes the **risk/reward highly favorable** – investors are not betting on a rescue, but on management’s ability to create value with the resources in hand.

In conclusion, Coherus Oncology’s current price reflects extreme pessimism and neglects the company’s tangible value and strategic optionality. Given the catalysts ahead and a substantially de-risked balance sheet, we recommend **[Buy]**, as the stock offers a compelling opportunity for **asymmetric upside** over the next 1–6 months. 12 6

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