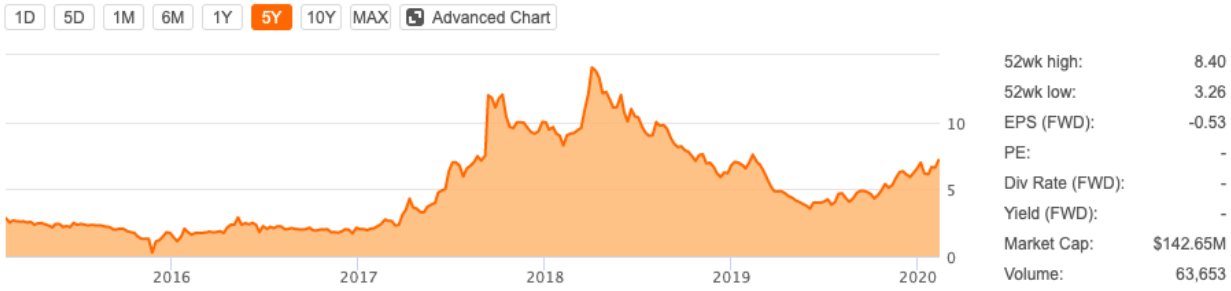
Elle Investments Research Report: FENC

Company: Fennec Pharmaceuticals Inc.
Symbol: **FENC**
Analysis Date: 2/11/20
Analysis Price: $7.01
Price Target (PT): $13.22
Upside: **89%**
Dividend: NA
Recommendation: **Strong Buy**

FENC: 5-Year Chart



Source: Seeking Alpha

INVESTMENT THESIS:

PEDMARK, FENC's only candidate, is poised to fill a high unmet medical need in preventing hearing loss due to platinum-based chemotherapy. After reaching $14.00/share in 2018 on the heels of excellent efficacy results, a lack of catalysts and a delay in the completion of the NDA due to manufacturing issues sent the stock back down. The NDA (and MAA) have been submitted and approval decisions in both the US and EU are expected around 3Q20. The solid balance sheet, the compelling trial results and indication, and the upcoming approval decicions and launch make FENC a Strong Buy.

LIQUIDITY POSITION: Adequate

As of 3Q19, FENC had cash and cash equivalents of $15.2M and a quarterly cash burn of about $2M. They also have non-dilutive financing in place to support the upcoming launch of PEDMARK, having obtained a $12.5M debt facility (contingent upon PEDMARK FDA approval by September 30, 2020) back in February 2019. The NDA and MAA were both submitted in early February 2020, so they are on track for an approval decision in both territories by 3Q20. We see the risk of dilution as being very low.

COMMERCIAL PROSPECTS: Excellent

PEDMARK (sodium thiosulfate (STS))
Value: $303M

PEDMARK, a unique formulation of STS, is FENC's only drug candidate.

For several decades, cisplatin and other platinum-based chemotherapy agents have been successfully used to fight cancer. Unfortunately, one of their devastating side effects is irreversible hearing loss, particularly in pediatric patients. Some affected patients have improved their hearing with cochlear implants, but their results are mixed. The ideal solution is a treatment that can prevent the hearing loss from occurring, but there are no approved therapies.

In two phase 3 trials, PEDMARK was shown to reduce the chance of hearing loss during chemotherapy by 40-50%. The safety and tolerability were acceptable, and most important of all, the addition of PEDMARK showed no evidence of tumor protection (meaning that it did not lower the effectiveness of the chemotherapy in fighting the cancer).

We think the data results are outstanding, and given the lack of any approved treatment for this indication, the commercial prospects are excellent.

CONCLUSION:

FENC had a slow drift down after hitting $14.00/share due to the lack of immediate catalysts and the NDA submission delay over the manufacturing issue. With both phase 3 trials and the NDA and MAA submissions behind us, the last regulatory hurdle remains approval in both the US and EU. A decision should be received around 3Q20, with the commercial launch soon to follow. Given the strong balance sheet, solid data readouts, and compelling commercial opportunity, we think FENC is a Strong Buy. Our PT is $13.22/share, offering 89% upside.

GLOSSARY:

STS: sodium thiosulfate

Note: Additional commentary from Elle Investments can be found at http://elle-investments.com. We welcome your feedback. Additionally, we are thinking of launching a subscription service that would offer early access to our research, along with some other features that investors might find useful (i.e. general portfolio management strategies, live blog updates highlighting our reaction to breaking news, etc.). If you would be interested in subscribing to such a service, please let us know.

Published By: Elle Investments Research Team

Phone: (914) 715-8066
Email: info@elle-investments.com

Disclaimer: The Elle Investments portfolio is managed utilizing a "quantamental" approach where each position, while based on Fundamental Analysis, is sized as part of a larger quantitative portfolio. The commentary presented here is for research purposes only and is not to be taken as investment advice. Readers are expected to perform their own due diligence and/or hire an investment professional prior to entering/exiting positions. Published research ideas are related to the specific market price and publicly available information at the time of research submission/publication. Elle Investments will enter/exit positions without notice.