Cassava Sciences is an US clinical -stage biotechnology company with a market cap of nearly 1.5B USD. The company detects and treats neurodegenerative diseases such as alzheimer’s.

Because the company is in pre revenue status usual financial valuations like the DCF model or NPV used in order to derive the value of the company aren’t applicable, this pitch will heavily focus on the clinical and chemical inneficiencies.

The thesis of this work is based on the fact that $SAVA has only one potential drug (Simufilam) candidate in its pipeline, making the success of the company largely (if not completely) dependent on the clinical results of this drug. Unlike the overall positive analyst consensus and recent stock price hike (due to a new CEO) I remain extremely bearish (meaning the company will fail in my opinion) on the future of $SAVA.

About Simufilam: Simufilam targets the misfolding of the protein filamin A (FLNA). By correcting this misfolding its supposed to interrup the toxic signaling of amyloid beta (AB42), a protein responsible for neurologic degeneration (can also be found in healthy bodies but gets cleared away). This MOA could reduce the degeneration of nerve cells. Research on Simufilam has showed that there major flaws of the drug blocking the a7nAChR receptor against AB42 (Wang HY et. Al 2012). Potentially leading to desensitizing one of the most important resceptors for neurological interaction.

Problems: Already at the chemical stage Simufilam faces major problems. In order to pass the Brain Blood Barrier it has to have a logP of maximum 3 while simufilam already show a logP of 4.55, meaning the molecule is lipophilic, indicating potential issues crossing the BBB and difficulties with solubility (by the way the company shows 29 failed medications and 0 approvals)

$SAVA has published recent phase 2b data (with only 60 patients which is way to small for an alzheimers study, looking at past FDA approvals) on the clinical trial ([NCT04079803](https://clinicaltrials.gov/study/NCT04079803?titles=PTI-125&rank=1)). The studies primary purpose was “treatment”. The used outcome measures show poor performance (with important p-values >0.05 compared to placebo) while also showing that in 42% of the treatment cases it showed major adverse events. The drug lead to only approximately 4% of condition bettering while still showing 42% of adverse scenarios, meaning the sideffects will lead to a sooner “death” than the drug can possibly cure one.

Regarding the CEO change it is just crutial to understand that for $SAVA the chemical side has a much greater importance in the long run. By the way, the former scientific advisor Hoau-Yan Wang is facing 31 allegations of research misconduct.

Catalyst: YE2024 when $SAVA will present its Phase III “RETHINK-ALZ” 52 week data (NCT04994483)

Strategy:

1. ATM Options expiring in January 2025
2. Short positioning through a margin account while hedging with long calls