

Oct 09, 2024

Healthcare

**TRAW**

NASDAQ

Rating

**Outperform**

Unchanged

Current Price

**\$4.80**

Target Price

**\$7.00**

Market Capitalization

**14.52M**

Shares Outstanding

**3.03M**

Float

**948.84K**

Institutional Holdings

**924.62%**

12-Month Low/High

**\$4.62/\$27.50**

Average 90-Day Volume

**7790**

Fiscal Year End

**12/31/2024**

## Traws Pharma

### **Phase 1 Study In Influenza Shows Positive Data With Plans To Move To Phase 2**

**Positive Results Announced From Tivoxavir Marboxil Study.** Positive data was announced from the Phase 1 clinical trial testing safety and pharmacokinetics of Tivoxavir Marboxil, Traw's drug in development for seasonal and pandemic influenza. The study showed tolerability and bloodstream levels within the expected range, supporting use as a one-time treatment for flu. The dose for Phase 2 has been selected with the trial planned to begin in 1H2025.

**Tivoxavir Inhibitor A Protease Needed For Viral Replication.** Tivoxavir acts through inhibition of CAP-dependent endonucleases (CEN), a highly conserved influenza protein needed for the synthesis of its viral mRNA. Tivoxavir was designed for use across a broad range of flu viruses including the H5N1 bird flu virus. Preclinical studies have shown potent inhibition of drug-resistant influenza viruses.

**Trial Design and Results.** The study was a double-blind, placebo-controlled Phase 1 trial to determine safety, tolerability, and pharmacokinetics (PK) and pharmacodynamics (PD). Healthy adult volunteers were administered a single dose, with subsequent cohorts at ascending levels (single ascending dose, SAD). The single dose consistently maintained plasma drug levels within the predicted therapeutic window and above the EC90 (effective concentration for 90% effect) for more than five days. There were no treatment related adverse events reported, and the dose for the Phase 2 trial was determined.

**Conclusion.** The Phase 1 data showing plasma levels in the predicted ranges with no treatment-related adverse events is positive news that allows Tivoxavir to move to Phase 2. As discussed in our [Research Note on October 1](#), Traws announced data from its Phase 1 trial of raturtelvir, its oral protease inhibitor for COVID-19. Both Phase 2 trials are planned to begin in 1H2024. We see these pipeline product advances as positive developments for the company and reiterate our Outperform rating and \$7 price target.

#### Revenues (\$ MIL)

Period	2023A	2024A	2024E
Q1	0.06	0.06A	0.06E
Q2	0.06	0.06A	0.06E
Q3	0.06	0.06E	0.06E
Q4	0.06	0.06E	0.06E
	0.23	0.23E	0.23E

#### EPS (\$)

Period	2023A	2024E	2025E
Q1	(0.28)	(0.24)A	(0.31)E
Q2	(0.20)	(4.87)E	(0.33)E
Q3	(0.23)	(0.25)E	(0.35)E
Q4	(0.28)	(0.28)E	(0.36)E
	(0.98)	(5.84)E	(1.35)E

#### Equity Research

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**Refer to the last two pages for Analyst Certification & Disclosures**

## Company Profile

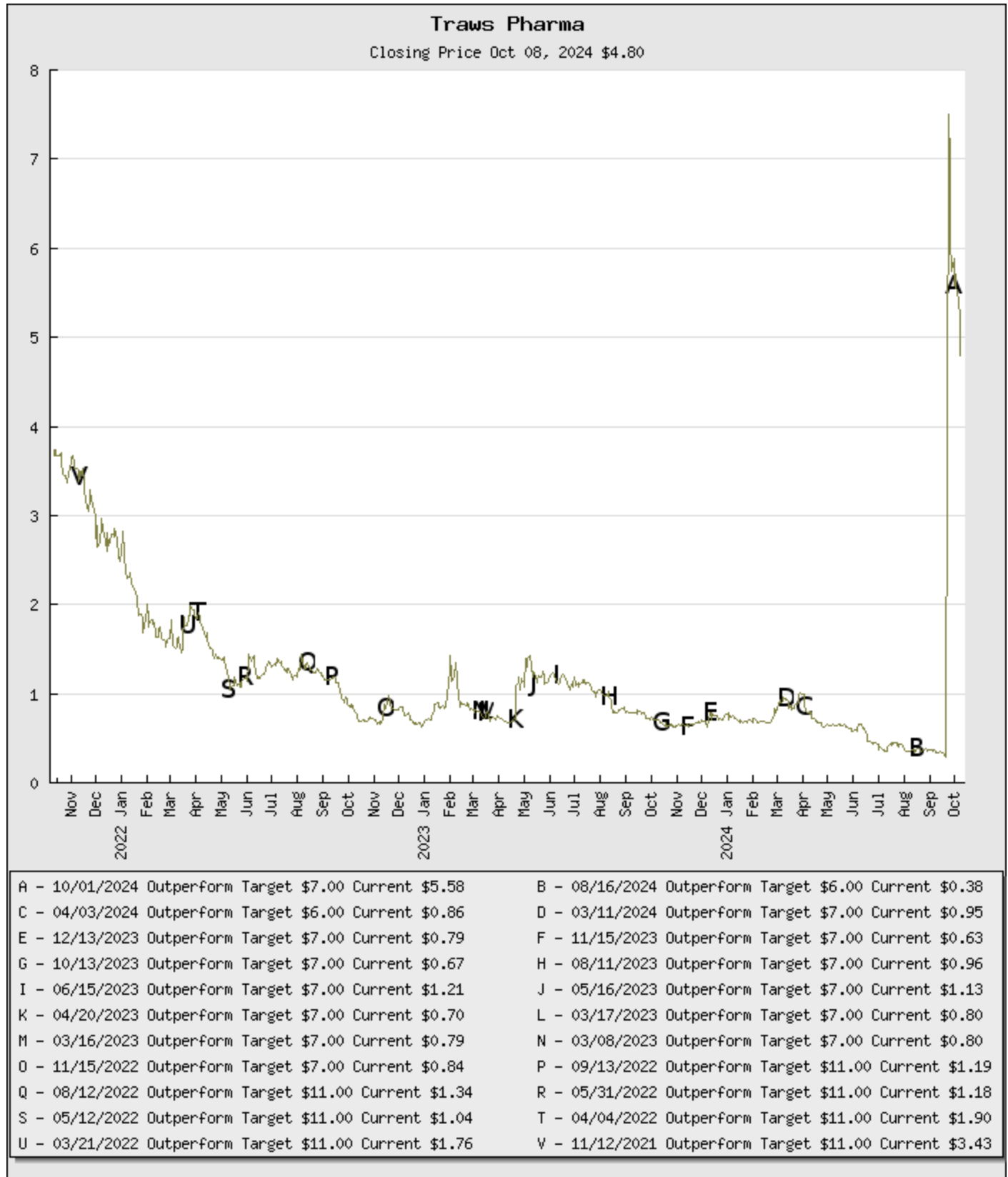
Onconova Therapeutics, Inc., a clinical-stage biopharmaceutical company, is focused on discovering and developing small molecule inhibitors to treat cancer. Its two compounds in clinical development are in Phase 1 and Phase 2 studies. Onconova Therapeutics, Inc. was founded in 1998 and is headquartered in Newtown, Pennsylvania.

## Fundamental Analysis

In our assessment, we give ONTX a score of 4.0 out of 5.0, which falls within the upper half of the "Above Average" range of 3.0 to 4.0. Our positive fundamental rating is based on the company's positioning in the oncology and immuno-oncology fields which have seen growing markets. We view the quality of management and the Board of Directors as above average due to extensive industry experience. For further explanation of our fundamental analysis, refer to the disclosures at the end of this report.

## Valuation Summary

We previously valued Onconova based on valuations for companies developing drugs for similar chemotherapy indications and improving checkpoint inhibitor response rates. The business combination with Trawsfynydd Therapeutics brings an antiviral pipeline valued in the transaction at about \$100 million, with a valuation for Onconova at about \$18.1 million based on its share price. We had previously estimated a value for Onconova at about \$150 million to \$175 million. With ONTX shareholders owning 13.7% of the new company, this implies a valuation of about \$1.1 billion. Based on our estimated 153.3 million shares outstanding, we value the TRAW at \$7 per share.



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Noble is not a market maker in the Company.

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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

### Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

### The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

### Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

### Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

### Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicalities, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

### ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Senior Equity Research Analyst focusing on the Biotechnology and Specialty Pharmaceuticals industry. 16 years of industry experience. BA in Economics from Tulane University and an MBA from Columbia Business School. FINRA licenses 7, 24, 63, 86, 87

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NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	90%	25%
Market Perform: potential return is -15% to 15% of the current price	10%	3%
Underperform: potential return is >15% below the current price	0%	0%

**NOTE:** On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. The recipient of this report who wishes further information regarding the subject company or the disclosure information mentioned herein, should contact by mail or phone.

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