

December 16, 2019

Rating:

OUTPERFORM

Price:

\$5.61

12-Month Price Target:

\$18.00

Analysts

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Company Information

Market Cap (M)	\$62.3
Enterprise Value (M)	\$20
Shares Outst (M)	11.8
52-Week Range	\$3.97 - \$9.64
Cash/sh	\$3.44
Tangible Book Value/sh	\$4.89
Net Debt (M)	\$(37.57)
Yield	0.00%

REV (M)	in \$		
FYE Dec	2018A	2019E	2020E
Q1 Mar	0.0A	0.0A	0.0E
Q2 Jun	0.0A	0.0A	0.0E
Q3 Sep	0.0A	0.0A	0.0E
Q4 Dec	0.0A	0.0E	0.0E
Year*	0.0A	0.0E	0.0E

EPS	in \$		
FYE Dec	2018A	2019E	2020E
Q1 Mar	(2.88)A	(0.62)A	(0.56)E
Q2 Jun	(1.98)A	(0.62)A	(0.55)E
Q3 Sep	(0.80)A	(0.56)A	(0.55)E
Q4 Dec	(0.85)A	(0.56)E	(0.55)E
Year*	(5.12)A	(2.36)E	(2.21)E
P/E	NM	NM	NM

Pricing data provided by Thomson Reuters.

*Numbers may not add up due to rounding.

Catabasis Pharmaceuticals (CATB)

PolarisDMD Population Similarity to MoveDMD; Suggests Reduced Clinical Risk

The Wedbush View

Catabasis is a clinical-stage biopharmaceutical company focused on the treatment of rare diseases. Lead candidate edasalonexent, is a first-in-class oral NF-kB inhibitor for the treatment of Duchenne Muscular Dystrophy (DMD). On December 16, Catabasis announced that analysis of baseline characteristics of the Phase 3 PolarisDMD trial showed that patients enrolled in the study have similar characteristics to patients that enrolled in the previous Phase 2 MoveDMD trial (Figure 1). Top-line results from the PolarisDMD trial are anticipated in Q4:20, with potential NDA submission in early 2021. Recall, key safety and efficacy results from the Phase 2 MoveDMD trial demonstrated preservation of muscle function as well as consistent improvements in all four muscle function tests (NSAA score, 10-meter walk/run, 4-stair climb and time to stand). Based on positive MoveDMD safety and efficacy results and a similar baseline population between PolarisDMD and MoveDMD, we anticipate Phase 3 success and material upside for CATB. We project gross sales of over \$500 million for edasalonexent in 2025.

Figure 1: Baseline Characteristics Ph3 PolarisDMD vs Ph2 MoveDMD

Mean ± sd	PolarisDMD (n=131)	MoveDMD (n=23)
Age (years)	5.7 ± 1.0	6.0 ± 1.1
Percent enrolled patients that had not taken steroids	98%	100%
NSAA score	20.8 ± 4.7	20.1 ± 5.5
10-meter walk/run speed (1/s)	0.181 ± 0.037	0.168 ± 0.045
4-stair climb speed (1/s)	0.265 ± 0.097	0.254 ± 0.110
Time to stand speed (1/s)	0.212 ± 0.070	0.193 ± 0.080

Source: Company data; Wedbush Securities, Inc. estimates

Figure 2: Milestones (*Our Estimates)

Timing	Milestone	Probability	Upside / Downside
Q4:19	Edasalonexent/DMD: Preclinical data with UT Southwestern	--	--
2019*	Edasalonexent + eteplirsen (EXONDYS 51) combo preclinical results	50:50	+0-5%
2019/2020*	Edasalonexent/BMD: Initiate clinical activities	--	--
H1:20	Edasalonexent/Dysferlinopathy: Initial preclinical results	--	--
Q4:20	Edasalonexent/DMD: Top-line Phase 3 (NCT03703882) results	70:30	+40-200%
Early 2021	Edasalonexent/DMD: Submit NDA	--	--
H1:21*	Edasalonexent/DMD: FDA accepts NDA for review	50:50	+0-5%
H1:22*	Edasalonexent/DMD: Potential U.S. Approval/Launch	50:50	+0-5%

Source: Company data; Wedbush Securities, Inc. estimates

Next: In Q4, we anticipate preclinical combo results from edasalonexent+eteplirsen

We reiterate OUTPERFORM rating and our twelve-month PT of \$18 (Figure 4).

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