Zacks Small-Cap Research
Sponsored – Impartial – Comprehensive

March 11, 2024
John D. Vandermosten, CFA
312-265-9588 / jvandermosten@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Suite 1600, Chicago, IL 60606

Portage Biotech Inc. (PRTG: NASDAQ)

PRTG: Extending the Runway

Portage's valuation relies on a DCF model and a 15% discount rate applied to our cash flow estimates. Additionally, we apply a success probability of 20% to the adenosine program which recognizes regulatory and commercialization risks. The model includes contributions from the United States and rest-of-world.

Current Price (3/8/2023)	$0.56
Valuation	**$7.00**

OUTLOOK

Portage is a clinical-stage, oncology-focused biotechnology company targeting adenosine & iNKT pathways in solid tumors. Its pipeline features two platforms: an adenosine antagonist and an iNKT engager. Both are in early-stage clinical trials. Only the adenosine asset is valued in our model.

The adenosine program (PORT-6) seeks to inhibit the A2A receptor subtype. It is the subject of a Phase Ia study & will be evaluated in combination with a checkpoint inhibitor. The iNKT program, designated PORT-2, is the subject of a Phase I/II study as monotherapy and in combination with Keytruda.

The site and setting for PORT-6 & PORT-2 will be defined as they progress through clinical trials. PORT-6 is forecasted to submit a package to regulatory agencies in 2030 followed by approval and first commercialization in 2031.

While initial clinical studies are broadly focused on solid tumors, we expect ultimate focus to be guided by clinical results. Indications most likely to be pursued include prostate, renal cell, colorectal, head and neck, lung, stomach and esophageal cancers. The addressable population may also be biomarker defined.

SUMMARY DATA

52-Week High	**4.40**
52-Week Low	**0.34**
One-Year Return (%)	**-83.8**
Beta	**1.0**
Average Daily Volume (sh)	**55,667**
Shares Outstanding (mil)	**21.0**
Market Capitalization ($mil)	**11.8**
Short Interest Ratio (days)	**0.3**
Institutional Ownership (%)	**11.6**
Insider Ownership (%)	**38.8**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2024 Estimate	**N/A**
P/E using 2025 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of USD)

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2023	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2024	$0.0 A	$0.0 A	$0.0 A	$0.0 E	$0.0 E
2025					$0.0 E
2026					$0.0 E

Earnings per Share

	Q1	Q2	Q3	Q4	Year
2023	-$0.12 A	-$0.06 A	-$0.44 A	-$5.45 A	-$6.49 A
2024	-$0.33 A	-$0.29 A	-$1.74 A	-$0.22 E	-$2.72 E
2025					-$0.65 E
2026					-$0.52 E

© Copyright 2024, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

3Q:24 Financial and Operational Results

Since our initiation in January, Portage Biotech Inc. (NASDAQ: PRTG), has reported its third quarter financial and operational results, and continued to progress the Phase Ia/Ib PORT-6 trial. Eight academic center clinical sites are enrolling patients and the Phase Ia dose escalation portion of the trial has advanced to the third cohort. Updates at major scientific conferences are expected in late May and November. This includes the 2024 American Society of Clinical Oncology (ASCO) Annual Meeting which will be held May 31 to June 4 and the 2024 Society for Immunotherapy of Cancer (SITC) Annual Meeting from November 6 to 11. Based on our conversations with management, enrollment in the trial is progressing favorably with principal investigators showing marked interest and identifying a steady stream of candidates.

Milestones

- Strategic update and shift in focus to PORT-6 & PORT-7 – January 2024
- ADPORT-601 (PORT-7) Phase Ia start – 1H:24
- ASCO Presentation ADPORT-601 for PORT-6 (Phase Ib interim) – May/June 2024
- ADPORT-601 (PORT-6) Phase Ib Start – 2H:24
- SITC Presentation ADPORT-601 for PORT-6) Annual Meeting
- PORT-6/-7 pivotal studies - 2026

3Q:24 Financial Results

Portage reported fiscal year 3Q:24 results in a Form 6-K filing with the SEC on February 28th. For the quarter ending December 31, 2023 and the comparable prior year quarter, no revenues were reported. Loss for the third quarter totaled ($36.4) million or ($1.74) per share. Operational expenses fell 15% as increases in research and development (R&D) expenses were more than offset by a decline in general and administrative (G&A) expenses.

- Research and development expenses totaled $2.8 million, up 9% from $2.5 million as increases in R&D services, consulting fees, licensing fees and clinical costs were partially offset by lower share-based compensation, manufacturing costs and payroll related expenses. Greater clinical activity in FY:24 was mostly balanced by recognition of drug substance manufacturing in the prior year that was not repeated;
- General & Administrative expenses were $1.3 million, down 44% from $2.2 million. Decreases in non-cash share-based compensation, professional fees, payroll related expenses, directors' and officers' insurance and other miscellaneous expenses contributed to the change. Less activity related to IP management and regulatory filings and repricing in the insurance markets were larger themes driving the year over year change;
- Other items totaling ($41.9) million primarily consisted of the impairment loss related to iOx and the pause in the PORT-2 iNKT engager program. Other losses related to Stimunity the registered direct offering and a variety of other miscellaneous categories rounded out the remainder;
- Net interest income totaled $66,000 as higher interest on cash balances contributed to a higher year over year total;
- Net income tax benefit of $9.5 million contrasts with a ($2.2) million expense;
- Net loss was ($36.4) million vs. ($11.5) million or ($1.74) and ($0.44) per share, respectively.

As of December 31, 2023, cash totaled $5.3 million. This amount compares to the $10.5 million balance in cash held at the end of fiscal year 2023 on March 31, 2023. Cash used in operations for 3Q:24 was ($3.4) million versus ($2.7) million for 3Q:23. Portage's disclosed that it had been selling its Intensity Therapeutics shares following the end of its lockup period on January 2, 2024. As of February 26th, 2024 Portage had sold $2.1 million worth and may continue to sell, depending on market conditions in the coming months in order to extend its cash runway. Due to the Intensity sales, the company noted that the cash balance remained at $5.3 million as of January 31st and that it would need approximately $5 million to finish out the year with the present research and development plan.

Adenosine A2A/A2B Antagonist Program Background

In contrast to other adenosine receptor antagonists, PORT-6 offers improved durability, potency and selectivity which may address some of the shortcomings faced by other candidates in the class. PORT-6 binds to receptors for over 10 hours in preclinical models, in comparison with other agents that bind for less than half this duration. These binding kinetics allow for less frequent dosing. Potency is an important attribute as it allows PORT-6 to out-compete the natural ligand, increasing its effectiveness when there are high levels of adenosine in the tumor microenvironment. PORT-6 selectivity is another strong point which allows it to bind only to the A2A receptor thereby avoiding off-target effects and allowing for higher dosing and associated greater efficacy.

Cancers with high levels of adenosine A2A receptor expression include prostate, non-small cell lung, head and neck and renal cell cancer. A2B receptor expression is additionally found in relatively higher levels in colorectal, endometrial and ovarian cancer. Portage has launched a basket trial that will examine several cancers that demonstrate a high proportion of adenosine and expression of adenosine receptors.

Portage intends to develop a companion diagnostic to identify a biomarker-defined patient population. Several gene biomarker signatures have been evaluated and peers using a biomarker-defined population have shown improved survival in patients administered the A2A antagonist with high adenosine expression. Portage appears to favor using an immunohistochemistry (IHC) -derived biomarker to select high adenosine expressing patients. Similar to other I-O drugs that have been approved for MSI-high or mismatch repair deficient tumors, PORT-6 may be approved based on the biomarker profile of the tumor rather than its origin site.

Key reasons to own Portage shares:

- **Experienced pharmaceutical management team with development & commercialization successes**
  - **Bristol Myers Squibb, Johnson & Johnson,**
  - **Strong academic & industry network**
  - **Team members have obtained approval for multiple assets**
- **Product focus on candidates that address known resistance in approved therapies**
- **Two platforms with multiple clinical studies underway**
  - **Anti-adenosine platform featuring PORT-6 (TT-10) and PORT-7 (TT-4)**
    - **Targets A2A & A2B expressing solid tumors alone and with Keytruda**
    - **Reverses immunosuppressive tumor microenvironment**
    - **No dose limiting toxicities observed**
    - **May seek approval in biomarker defined population**
  - **iNKT engager (PORT-2)**
    - **Offers features of both natural killer and T cells**
    - **Stimulates innate and adaptive immune system for anti-cancer response**
    - **Evaluated alone and in combination with Keytruda**
- **Offers additional assets on featured platforms**
  - **PORT-3 – includes combination of PORT-2 with vaccine**
  - **A2A/A2B dual antagonist**
  - **Gut-restricted A2B antagonist**

Summary

Following our early 2024 initiation, Portage has continued to advance its PORT-6 program and is enrolling patients in the eight active clinical sites. Management has guided towards incremental data readouts at ASCO in about three months' time and at SITC in the late fall. The cash runway has been extended somewhat with the sale of $2.1 million of Intensity Therapeutics shares that Portage held on its balance sheet. We expect that strong data presented at ASCO will demonstrate the vitality of the adenosine program, attract investor interest and support further access to capital. We maintain our valuation of $7.00 per share.

PROJECTED FINANCIALS

Portage Biotech Inc. - Income Statement

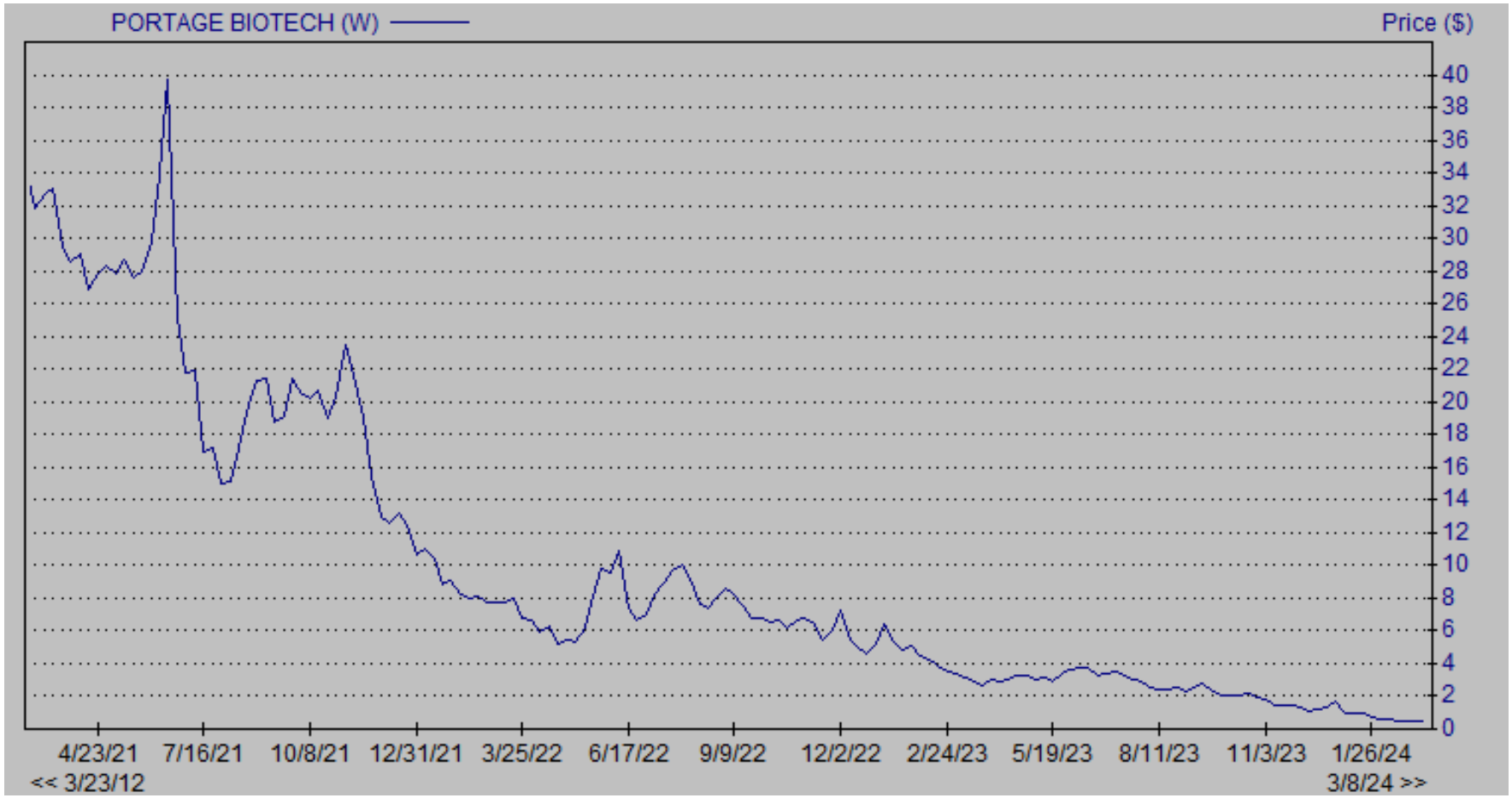
Portage Biotech Inc.	2023 A	Q1 A	Q2 A	Q3 A	Q4 E	2024 E	2025 E	2026 E
Total Revenues ($USD)	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Research & Development	$8,214	$3,627	$4,237	$2,771	$3,000	$13,635	$10,820	$11,800
General & Administrative	$8,361	$1,370	$1,693	$1,254	$1,400	$5,717	$5,600	$6,620
Income from Operations	($16,575)	($4,997)	($5,930)	($4,025)	($4,400)	($19,352)	($16,420)	($18,420)
Other Items	($106,155)	($1,154)	($185)	($41,941)	$0	($43,280)	$0	$0
Net Interest Expense	$208	$80	$43	$66	$50	$239	$200	$200
Pre-Tax Income	($122,522)	($6,071)	($6,072)	($45,900)	($4,350)	($62,393)	($16,220)	($18,220)
Provision for Income Tax	$17,856	$145	$907	$9,497	$0	$10,549	$0	$0
Net Income	**($104,666)**	**($5,926)**	**($5,165)**	**($36,403)**	**($4,350)**	**($51,844)**	**($16,220)**	**($18,220)**
Reported EPS	**($6.49)**	**($0.33)**	**($0.29)**	**($1.74)**	**($0.22)**	**($2.72)**	**($0.65)**	**($0.52)**
Basic Shares Outstanding	16,119	17,701	17,801	20,897	19,850	19,062	25,000	35,000

Source: Company Filing // Zacks Investment Research, Inc. Estimates

© Copyright 2024, Zacks Investment Research. All Rights Reserved.

HISTORICAL STOCK PRICE

Portage Biotech Inc. – Share Price Chart[1]



[1] Price chart generated by Zacks Research System

DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, John Vandermosten, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover.
SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN DISCLAIMER

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada and is not an associated person of any Canadian registered adviser and/or dealer and, therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.

© Copyright 2024, Zacks Investment Research. All Rights Reserved.