

29th March 2016

Healthcare

## Bone Therapeutics

Price EUR18.56

FY2015 results and first positive results in osteoporosis

Fair Value EUR30 vs. EUR29 (+62%)

BUY-Top Picks

Bloomberg	BONE.FP
Reuters	BONE.PA
12-month High / Low (EUR)	23.0 / 15.2
Market Cap (EUR)	127
Avg. 6m daily volume (000)	3.40

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.2%	-3.3%	2.5%	-4.8%
Healthcare	-3.3%	-12.4%	-8.4%	-13.1%
DJ Stoxx 600	1.1%	-8.1%	-1.9%	-8.4%

  

	2014	2015e	2016e	2017e
P/E	x	x	x	x
Div yield (%)	NM	NM	NM	NM

### ANALYSIS

- Bone therapeutics has reported FY2015 results with operating income broadly stable vs last year at EUR2.82m, derived primarily from grants and subsidies. R&D expenses stood at EUR12.91m vs. EUR7.96m in 2014 reflecting increased R&D activity and ongoing recruitment in both early and late stage programmes. As a reminder, the company is running two phase III trials and three phase II trials. G&A expenses increased accordingly to EUR3.14m vs EUR1.35m last year, of which EUR1.06m resulted from IPO-related expenses. The operating loss totalled -EUR12.22m while the net loss after financial expenses and a EUR1.33m non-cash impact of convertible bonds was EUR14.09m. Cash and cash equivalents stood at EUR33.61m, offering financial visibility until 2017 year-end.
- Over the course of 2015, Bone Therapeutics successfully delivered on expected milestones communicated at the time of the IPO. Entering 2016, two major clinical milestones are of strong interest in our view, namely the initial results from the osteoporosis trial, communicated alongside FY2015 results, as well as interim results from the Delayed-union phase IIb trial. Moreover, management expects to initiate first trial in the US by the end of the year.
- In a separate press release, Bone Therapeutics announced positive 12-month efficacy results for PREOB in the first seven patients suffering from severe osteoporosis. While primary endpoints of safety and biodistribution were met, a positive effect on clinical symptoms was seen. At six months post-treatment, maximum decrease in pain of more than 40% was assessed after a single IV administration of the company's autologous product vs. 30% within the same timeframe for daily administration of anabolic agents (teriparatide). We are pleased with these results which should enable the company to start active discussions with potential partners in our view. Interesting to note also is that the bone resorption marker decreased shortly following administration while bone formation markers increase continuously over the course of the follow-up.

### VALUATION

- We reiterate our BUY rating.
- Our new FV stands at EUR30 vs EUR29. Changes to our equity risk premium and risk free rate assumptions which now stand at 7.0% and 1.6% respectively vs 6.4% and 2.0% previously, have dented our FV by EUR3. On the other hand, raising our PoS from 10% to 20% for the osteoporosis trial adds EUR4.

### NEXT CATALYSTS

- Today 01:30pmCET: conference call on FY2015 results
- H1 2016: interim results from the delayed-union phase II trial

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NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
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## Distribution of stock ratings

BUY ratings 64.4%

NEUTRAL ratings 28.1%

SELL ratings 7.4%

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