

29th March 2016

Healthcare

Celyad

Price EUR39.72

R&D day highlights rationale of CAR-T program

Fair Value EUR77 vs. EUR81 (+94%)

BUY

Bloomberg	CARD.BB
Reuters	CARD BB
12-month High / Low (EUR)	69.5 / 29.5
Market Cap (EURk)	369,906
Avg. 6m daily volume (000)	32.10

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.8%	-15.3%	10.9%	-17.9%
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 (%)	%	%	%	%

ANALYSIS

- Celyad hosted its R&D Day during which the emphasis was placed on its early stage and promising Immune-Oncology assets. Rationale behind NKG2D is strong and KOL highlighted the ability of the platform to address both liquid and solid tumours.
- The main takeaway from the meeting was that Celyad should be able to disclose preliminary results by the end of June ("2nd half of June"). The phase I/IIa trial is currently recruiting its third cohort. F. Lehmann, head of I-O at Celyad pinpointed that the low starting dose in the phase I/IIa trial might not be enough to have interesting results yet in all three types of liquid tumors (AML, ALL and MM). Complete results are expected by the end of the year and should be of greater interest. Celyad is currently conducting further pharmacokinetic studies for its NKG2D platform (bio-epidemiologic studies on the expression of ligands as well as combination trials with other I-O therapies such as PD1-PD-L1 in preclinical models). We would expect clinical trials in solid tumors to begin by the end of 2016.
- The recent signing of a partnership with the Institut Curie highlights the interest of the research community for the platform and should enable Celyad to better assess which type of cancer might be of interest for future developments. We do not rule out that other collaboration agreement or partnership with Pharma might occur during the course of the year as it seems to be a priority for the company and a point management insisted on during the presentation.
- While it might be too early to accurately position CAR -T in the future treatment paradigm, Celyad benefits from a broad patent estate and has deep knowledge on manufacturing of cell therapies. As a reminder, it takes only eight days for the company to produce an autologous platform while other players in the CAR-T and stem cell therapy space have a manufacturing period of up to 2 to 4 weeks. Note that by 2017, the company should bring to the clinic its first allogeneic product candidate.

VALUATION

- We reiterate our BUY rating
- Our new FV stands at EUR77 vs EUR81 and reflects changes in 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.

NEXT CATALYSTS

- H1 2016: CHART-1 results in CHF. Following results, management should evaluate all strategic options before initiation of phase III trial, CHART-2 in the US.
- June 2016: preliminary results from phase I/IIa trial in liquid tumours

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