

Collectis

Price EUR23.65

Super Mario CAR-T! (full report released today)**Fair Value EUR37 (+56%)****BUY**

Coverage initiated

We are initiating coverage of Collectis with a Buy recommendation and a FV of EUR37. The company is one of the rare developers of immunotherapies based on CAR T-cells that are genetically modified in order to better recognise and destroy cancer cells. The segment is in full boom and Collectis is developing an approach that clearly stands out from the crowd since it is less costly and complex from a logistical perspective. Added to this, Collectis has the ability to provide new modifications to these cells and has already signed two sizeable partnerships, leading us to believe that the group has what it takes to become a leader in this flourishing segment. Last but not least, a more aggressive scenario would put our valuation at EUR120 per share.

ANALYSIS

- **A differentiating positioning.** The CAR T-cells developed by Collectis have the specific feature of being allogeneic, meaning that 1) the modified immune cells are not extracted from and re-injected into a same patient (thereby providing the prospect of a standardised product), and 2) production could potentially be far easier and less costly than for rivals using autologous approaches. However, the difference does not stop there since Collectis could also be capable of knocking out genes such as a PD-1, in order to strengthen its anti-tumour powers.
- **Heading for new validating deals.** Collectis has already created two sizeable partnerships with Pfizer and Servier (combined milestone payments of USD3.8bn). However, we believe that other laboratories could show clear interest as soon as the first Phase 1 results implying the group's proprietary projects are published, and especially those for UCART38.
- **Collectis also has a subsidiary specialised in agro-biotechnology, Calyxt.** This 100%-owned subsidiary clearly stands out from other companies in the market and we believe it should be also be a significant value creator in coming years. Modifying certain characteristics of farm products is nothing new in itself. However, the fact that Calyxt only eliminates a few endogenous genes has a strong implication from a regulatory stance: the ensuing products are not considered as genetically modified organisms (GMO) by the various relevant authorities. In concrete terms, this should enable the company to 1) develop lower cost projects (less than USD10m vs. USD150-200m for a classic GMO like Monsanto's), 2) follow a less tortuous and shorter regulatory path (six years theoretically rather than 15), and 3) penetrate countries that are fairly against these approaches (especially Europe) more easily on the commercial front.

VALUATION

- **Initiation with a Buy recommendation and a FV of EUR37.** The main de-risking factor would be the publication of Phase I results for UCART19 in treatment of acute lymphoblastic leukaemia, theoretically in 2017. However, more generally, we believe that the entire therapeutic class should benefit from the very first approval of a CAR T-cell in ALL treatment (CTL019 by Novartis). Last but not least, a more aggressive scenario would put our valuation at EUR120 per share.

NEXT CATALYSTS

- 2016: Read-across from the marketing approval of Novartis' CTL019.
- 2016: DSMB feedback regarding the phase I of UCART19 and proprietary compounds.
- 2016: Potential listing of Calyxt (agro-biotech business).
- 2017: Phase I results for UCART19 as a treatment for patients with ALL

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Bloomberg	ALCLS.FP
Reuters	ALCLS.PA
12-month High / Low (EUR)	40.9 / 16.9
Market Cap (EURm)	832
Ev (BG Estimates) (EURm)	752
Avg. 6m daily volume (000)	217.5
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	36.6%	-11.8%	-17.3%	-15.3%
Healthcare	6.3%	-9.2%	-9.4%	-10.7%
DJ Stoxx 600	7.4%	-7.7%	-6.0%	-7.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	26.5	30.0	43.0	54.6
% change		13.4%	43.3%	27.0%
EBITDA	-4.1	1.2	6.9	12.8
EBIT	-5.5	-0.3	5.4	11.3
% change		95.2%	NS	109.8%
Net income	-6.5	1.2	6.4	12.3
% change		NS	NM	92.7%

	2014	2015e	2016e	2017e
Operating margin	-20.8	-0.9	12.6	20.7
Net margin	-24.5	4.1	14.9	22.6
ROE	-10.9	2.0	9.5	15.5
ROCE	13.7	-7.1	-51.9	71.3
Gearing	-182.5	-131.5	-121.0	-80.5

(EUR)	2014	2015e	2016e	2017e
EPS	-0.28	0.04	0.18	0.35
% change	-	NS	NM	92.6%
P/E	NS	NS	NS	67.5x
FCF yield (%)	7.6%	NM	0.2%	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	27.3x	25.1x	17.5x	14.1x
EV/EBITDA	NS	608.4x	108.8x	59.9x
EV/EBIT	NS	NS	139.1x	67.8x

Analyst :

Mickaël Chane Du
33(0) 1 70 36 57 45
mchanedu@bryangarnier.com

**Sector Team :**

Eric Le Berrigaud
Hugo Solvet



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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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London	Paris	New York	Geneva	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
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