

Transgene

Price EUR2.90

Data from combinations will be key (full report to be released today)

Fair Value EUR4.5 (+55%)

CORPORATE

Bloomberg	TNG.FP
Reuters	TRNG PA
12-month High / Low (EUR)	6.7 / 2.4
Market Cap (EURm)	112
Ev (BG Estimates) (EURm)	169
Avg. 6m daily volume (000)	236.9
3y EPS CAGR	

Admittedly, the company has been through some pretty tumultuous times recently, hence the need to initiate a restructuring plan. But what's next? In our opinion, the future of Transgene lies in the different Phase I/II evaluating its lead compound in combination with PD-1/PD-L1 blockers (and for which top-line results are expected by the end of 2017). Our Fair Value is EUR4.5.

ANALYSIS

- **TG4010's future lies in its potential combination with checkpoint blockers.** The dataset from the TIME study was definitely of quality, but the treatment paradigm has changed and will continue to. Targeting PD-1 or PD-L1 has resulted in practice-changing observations of safety coupled with impressive and durable anti-tumor activity in both already pre-treated and newly diagnosed patients with NSCLC (non-small cell lung cancer). So just like Bavarian Nordic did with its cancer vaccine (ProstVAC), we assume Transgene will need some proof-of-concept data implying TG4010 in combination with these immune checkpoint blockers to attract the attention of potential partners.
- **PexaVEC as a credible plan B.** While hepatocellular carcinoma (HCC) was initially seen as a very (too?) challenging indication for immuno-oncology agents, whether for checkpoint blockers or oncolytic virus, we have the feeling that our fears were overdone as 1) nivolumab managed to induce tumor regression in yet pre-treated patients (overall response rate: 20%) in a small study; 2) back in 2015, AstraZeneca and MedImmune entered into a licensing agreement with Omnis Pharmaceuticals to develop an oncolytic virus for the treatment of HCC and other cancers that have metastasized to the liver. Apart from that, we see (i) the recent approval of Amgen's Imlygic (talimogene laherparepvec) and (ii) the responses obtained in combo with ipilimumab (anti-CTLA-4) in first-line melanoma as positive catalysts for the whole therapeutic class.

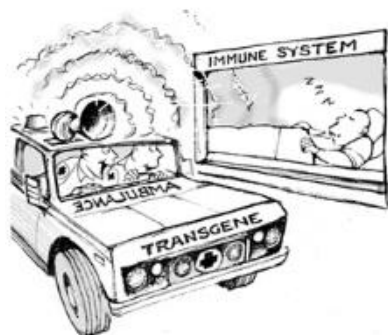
VALUATION

- **Our FV of EUR4.5 is derived from an SOTP.** Without entering into too much detail, we are assuming 1) that value creation will primarily stem from TG4010 and PexaVEC, both as part of a combination regimen with a checkpoint blocker (respective peak sales: EUR500m and EUR400m in their lead indication); and 2) a probability of success of 35% for all these developments. Our WACC is 16.0%.

NEXT CATALYSTS

- Q3 2016: Read-across from Amgen's Imlygic (talimogene laherparepvec) in combination with pembrolizumab (anti-PD-1)?
- 2017/18: Phase I/II results for PexaVEC and TG4010 in combination with immune checkpoint inhibitors.

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Distribution of stock ratings

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NEUTRAL ratings 28.1%

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