

# GENEURO

Price EUR9.63

The GeNesis of a disruptive treatment in MS (full report released today)

Fair Value EUR18,2 (+89%)

**BUY**

Coverage initiated

Bloomberg	GNRO.FP
Reuters	GNRO.PA
12-month High / Low (EUR)	13.0 / 9.4
Market Cap (EURm)	141
Ev (BG Estimates) (EURm)	0
Avg. 6m daily volume (000)	4.10
3y EPS CAGR	ns

GeNeuro has taken a completely innovative and disruptive approach to treating a number of autoimmune diseases including multiple sclerosis, based on a technology that allows acting on the underlying process and potentially on one of the causes of the disease. If it came through, this approach would constitute a breakthrough and the product would probably become the new standard treatment for MS, a growing market segment that is worth USD20bn.

## ANALYSIS

- Considering that the MSRV-Env envelope protein is highly expressed in the white matter of patients with MS lesions and after having characterised the pro-inflammatory and neurodegenerative modes of action of this protein, a causal relationship seems to be, if not demonstrated, at least likely. As a result, GeNeuro has developed an antibody that specifically targets this protein and that is intended to have an anti-inflammatory and remyelinating effect.
- The antibody is currently entering Phase IIb (260 patients) for RRMS with the financial support of a partner, Servier, which will bear the resulting costs. Earlier this week, GeNeuro announced officially that first patient had been recruited. At the end of that phase, Servier will be able to exercise an option to acquire ex-US and ex-Japan selling rights for the drug as a treatment for MS, while GeNeuro will retain its selling rights for the US and Japanese markets and for all other indications.
- In view of the trends and geographic distribution of the MS market, there is very significant sales potential for GeNeuro. MS is already a USD20bn market that has been profoundly changed over the last few years by innovative oral drugs and that is likely to be transformed again by upcoming very effective anti-CD20 treatments ocrelizumab (Roche, filed) and ofatumumab (Novartis, in phase III). Because Ocrevus will open the new segment in PPMS, we see the MS market growing up to USD25bn in the coming few years, before generics come in on Gilenya or Aubagio.
- Back to GeNeuro, partner Servier could make milestone payments for a total of up to EUR325m, and it is likely to pay royalties of between 8 and 15% on its sales. In the US, GeNeuro will be free to choose what it considers to be the best strategy for maximising the value of its asset: either operating on its own or through a partnership. A decision is once again likely to be made once the phase IIb data are available i.e. during 2018. In the US still, we are waiting for the FDA decision to agree on the IND for GNBAC1 to allow for the addition of a small cohort of patients in the phase IIb trial that has just started and that is so far limited to European centers. Although it would be good to have a few US patients treated with GNBAC1 as early as in phase IIb, the design is such that the trial will not depend at all upon those patients so that the timing of the IND and speed of recruitment in the US is not a risk for the phase IIb and will not delay the outcome of results.

## VALUATION

- Based on the information currently available, we deemed it appropriate to base our valuation of GeNeuro exclusively on the MS indication. With a probability of success estimated at between 25% (in Europe where Servier will be in charge) and 30% (in the US where we have considered a stand-alone strategy although we do not consider it as likely), a peak penetration rate of 10% in RRMS and a price in line with today's most effective treatments, our **median FV stands at EUR18.2**.
- Note that at the end of the first quarter, GeNeuro had net cash position of about EUR15m and later on raised EUR33m through its IPO. This is more than enough to fill the gap until the end of the phase IIb trial.

## NEXT CATALYSTS

- The two significant pieces of news flow for GeNeuro this year are the IND for the phase IIb trial in the US and the announcement of further clinical trial initiations for GNBAC1 in non-MS indications.

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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