

14th July 2016

Healthcare

Celyad

Price EUR23.41

CAR-T program advancing well, with ONO backing it all

Fair Value EUR21 vs. EUR20 (-10%)

NEUTRAL

Bloomberg	CARD.BB
Reuters	CARD BB
12-month High / Low (EUR)	57.0 / 21.8
Market Cap (EUR)	218
Avg. 6m daily volume (000)	32.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	-45.6%	-43.6%	-36.7%	-51.6%
Healthcare	7.1%	5.6%	0.9%	-4.3%
DJ Stoxx 600	2.8%	-2.1%	-2.6%	-8.2%

	2015	2016e	2017e	2018e
P/E	x	x	x	x
Div yield (%)	%	%	%	%

ANALYSIS

- Celyad announced yesterday that the 1st patient from the 4th cohort infused with its autologous CAR NKG2D completed safety follow-up with no safety issues. Results from the first low dose cohort enrolled in the NKR-2-T phase Ib trial should be available shortly. Recall however that low product's dose used in these first cohorts might not be enough to show efficacy. Hence we would focus on the safety of the product which has been proven good so far (1 month follow up in each and every patients infused) and would welcome any positive efficacy trend. Complete results are expected in late 2016.
- Earlier this week, Celyad announced a collaboration agreement with ONO for the development and future commercialization of its allogeneic anti-NKG2D CAR-T in Japan, Korea and Taiwan. Under the terms of the agreement, Celyad will receive an upfront of EUR11.25m and is eligible to up to EUR270.75m milestones payments.
- This is a good news all the more so as we and the consensus gave no value to this early-stage compound which is set to enter the clinic in H2 2017 and 2/ ONO is a quite interesting partner in our view, as they have developed a good knowledge of the immune-oncology field with the acquisition of Asian rights of several compounds like BMS' Opdivo and Amgen's Kyprolis. We believe that what interested ONO beyond the platform is Celyad's manufacturing capabilities. Recall that it only takes around eight days for the company to produce its autologous product candidate while other players in the CAR-T space have a manufacturing period of up to 2 to 4 weeks.
- With ONO backing Celyad's platform and having solely acquired the rights in some Asian countries, we do not rule out that this Pharma's interest for the platform in either the US or in Europe. Remember that Cellectis (BUY – FV EUR37) proved that the industry is quite interested in allogeneic approaches for CAR-T. Should a broader (US and/or Europe) agreement be reached, a payments package in the USD300-600m range looks fairly achievable, above all if further clinical data for the autologous product candidate expected towards the second half of the year be positive.

VALUATION

- We reiterated our NEUTRAL rating with C-CURE overhang and lack of visibility on EMA's decision regarding conditional approval.
- Integrating the EUR11.2m upfront paid by ONO to the biotech raises cash /share from EUR8 to EUR9 and hence our fair value from EUR20 to EUR21.

NEXT CATALYSTS

- 28th August: ESC congress complete CHART-1 phase III data
- Late 2016: phase Ib readout for CAR-NKG2D platform

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BUY ratings 56,8%

NEUTRAL ratings 33,8%

SELL ratings 9,5%

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