

30th September 2016

Healthcare

**GENEURO**

Price EUR7.44

**New study to be initiated in the US in SPMS**

**Fair Value EUR18,2 (+145%)**

**BUY**

Bloomberg	GNRO.FP
Reuters	GNRO.PA
12-month High / Low (EUR)	13.0 / 7.3
Market Cap (EURm)	109
Avg. 6m daily volume (000)	3.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.8%	-14.7%	ns	-42.8%
Healthcare	0.8%	1.6%	6.4%	-7.5%
DJ Stoxx 600	-0.3%	8.2%	2.2%	-6.4%

  

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

#### ANALYSIS

- GeNeuro yesterday released its half-year results that are only interesting in one specific aspect namely the cash burn rate and hence the cash situation at the end of the period (EUR42.4m vs EUR19.6m at the end of December 2015). And from that perspective, there is little to say above and beyond the fact that it is in line with plans since most of the R&D costs are covered by the agreement with Servier on GNBAC1 in MS. But note that 1/ revenues amounted to EUR3.4m and notably included an already-perceived Servier's milestone payment; 2/ R&D expenses grew to EUR7.3m from EUR1.8m a year ago due the launch of the Phase IIb as well as a quick patient recruitment; 3/ G&A costs stood at EUR3.2m (vs EUR0.5m) bearing in mind that EUR1.8m of this amount was related to the IPO.
- So actually the interest of this release was far beyond the numbers and again has to do with GNBAC1 in MS for which, as recently updated when the ECTRIMS congress took place earlier this month, GeNeuro reported quicker-than-expected recruitment to the CHANGE-MS phase IIb study. Out of the expected 260 patients to be recruited mainly in Eastern Europe, more than half are already in. What GeNeuro added yesterday is that it will no longer look for the addition of a US arm to the study because the trial is running too fast and it makes little sense to look for an IND. Instead, GeNeuro has decided to conduct a small independent study to assess two doses of GNBAC1 specifically in SPMS, which will make it possible to assess slightly different endpoints while still having the FDA in the loop with the compound fairly quickly. Although all details are not yet agreed upon with the FDA, it is estimated that the duration of the trial should make it possible to get the data ready around the same time as CHANGE-MS i.e. by mid-2018.
- Instead of having an extension of a trial in the US with no impact on key endpoints, it seems better to have an independent trial fully run in the US with a stronger value of data read-out. Moreover, SPMS is a slightly different target from RRMS which, considering recent developments (i.e. positive data by BAF312 from Novartis in SPMS), may become an interesting and more closely watched new market segment in the future. Anyway it will give more options ahead of the initiation of phase III trials in all geographies.

#### VALUATION

- We make no change to our valuation.

#### NEXT CATALYSTS

- Today 10.30am: Conference Call - [Click here to download document](#)

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- NEUTRAL** Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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