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

Eric Le Berrigaud, eleberrigaud@bryangarnier.com

BRYAN, GARNIER & CO

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY — Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

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.

SELL — Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 72% NEUTRAL ratings 0% SELL ratings 28%

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

Summary of Investment Research Conflict Management Policy is available www.bryangarnier.com

BRYAN, GARNIER & CO

London
Beaufort House
15 St. Botolph Street
London EC3A 7BB
Tel: +44 (0) 207 332 2500
Fax: +44 (0) 207 332 2559
Authorised and regulated by the Financial Conduct Authority (FCA)

Paris
26 Avenue des Champs Elysées
75008 Paris
Tel: +33 (0) 1 56 68 75 00
Fax: +33 (0) 1 56 68 75 01
Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudential et de resolution (ACPR)

New York
750 Lexington Avenue
New York, NY 10022
Tel: +1 (0) 212 337 7000
Fax: +1 (0) 212 337 7002
FINRA and SIPC member

Munich
Widenmayerstrasse 29
80538 Munich
Germany
+49 89 2422 62 11

New Delhi
The Imperial Hotel Janpath
New Delhi 110 001
Tel +91 11 4132 6062
+91 98 1111 5119
Fax +91 11 2621 9062

Geneva
rue de Grenus 7
CP 2113
Genève 1, CH 1211
Tel +4122 731 3263
Fax+4122731 3243
Regulated by the FINMA