

25th October 2016

Healthcare

GENEURO

Price EUR5.19

Can't wait to be in 2017 !

Fair Value EUR18,2 (+251%)

BUY

Bloomberg	GNRO.FP
Reuters	GNRO.PA
12-month High / Low (EUR)	13.0 / 5.2
Market Cap (EURm)	76
Avg. 6m daily volume (000)	3.60

ANALYSIS

- Yesterday after market close, GeNeuro released third-quarter revenues and cash position. Cash and cash equivalents stood at EUR37.4m at the end of the period, knowing that the operating cash burn amounted to EUR13.1m (of which EUR4.5m has to be considered as non-recurring, e.g. IPO-related costs). As a result, the "core" operating burn rate was EUR8.6m over the first 9 months of the year and as illustrated below did not increase sequentially compared to Q2.

(in EURm)	Q1 16	Q2 16	Q3 16
Cash	15.5	42.4	37.4
Operating burn rate (excluding non-recurring costs*)	-3.6	-2.6	-2.4

* e.g. IPO-related costs, milestone payment to BioMérieux

Source : Company Data; Bryan Garnier & Co. ests.

- It is now fair to expect burn rate to increase quarter after quarter as the phase IIb trial is recruiting fast but also because GeNeuro is expected to finalise an IND to start recruiting in SPMS in the US at the beginning of 2017 when it is also expected that phase II starts in type 1 diabetes.
- So the business is developing well in line with the original expectations although next big triggering event remains at the end of 2017 with the end of the first part of the phase IIb study in MS.

VALUATION

- In the absence of news flow, it has proven difficult to support the share price of GeNeuro but we expect the IND in the US and the good developments of GnbAC1 to act as catalysts. We believe also that the upcoming approval of Ocrevus in December 2016 and discussions around potential filing of BAF312 in SPMS should shed new light on the MS market in the coming months.
- We take also the opportunity of this short update to stress that the current valuation of GeNeuro suggests no more than 10% probability of success of GNBAC1 in MS (still no value to the rest). Our FV gives 30% to the drug in Servier's territories and 25% in the US. Even a much more conservative approach with 15% PoS in the US would leave FV above EUR10. BUY reiterated.

NEXT CATALYSTS

- Q4 2016: IND in the US for GNBAC1 in MS

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