

Transgene

Price EUR2.71

Strong newsflow ahead

Fair Value EUR5 (+85%)

CORPORATE

Bloomberg	TNG.FP
Reuters	TRNG PA
12-month High / Low (EUR)	3.8 / 2.3
Market Cap (EUR)	156
Ev (BG Estimates) (EUR)	213
Avg. 6m daily volume (000)	81.80
3y EPS CAGR	-8.4%

Now that the company is on the verge of securing a capital increase of c.EUR48m (of which 75% is guaranteed by the Mérieux Institute), we would like to come back on some key short-term catalysts that are likely to support the stock in the coming months. We also stick to our FV of EUR5.0 since the risk-reward profile is attractive, in our view.

ANALYSIS

- PexaVEC: an improving momentum.** The oncolytic virus class has benefited from various positive read-across analyses over the past few months. First, Amgen's Imlygic (talimogene laherparepvec) got approved both in the US and Europe for the treatment of adults with advanced melanoma. Second, some quite promising data in combination with ipilimumab have been published (ORR: c.50% in previously untreated patients with melanoma). Third, apart from Amgen and Merck, BMS and AstraZeneca also got their hands on molecules from this therapeutic family through acquisitions or collaboration agreements.
- Sillajen to be listed in Asia: a potential positive read-across in H2 16.** Sillajen is said to consider an IPO on the KOSDAQ, and rumors say that the pre-money valuation could exceed USD1Bn (!). Such figure is too optimistic in our view, especially since the company retains solely a part of PexaVEC's rights... But there is a chance that the final number will be much higher than what the street currently retains for TNG's rights (BG EV: c.EUR150m).
- CSF1/CSF1R is one of the most attractive targets in the I-O field in our view.** Its blockade is indeed thought to induce a strong modulation of the tumor microenvironment, and thus improve the response to PD-1/PD-L1 blockers (upregulation of PD-L1 and even CTLA-4, depletion of immune suppressive cells and notably TAMs, reprogramming of macrophage populations to support anti-tumor immunity). No doubt that this is one of the very reasons why BMS inked such a lucrative deal with Five Prime (up to USD1.74Bn payments, including an upfront amounted to USD350m) to get its hands on FPA008 (an anti-CSF1R mAb).
- TG3003 (anti-CSF1R) is another asset to be reckon with.** We believe that big/mid pharma lacking this type of molecule (e.g. Merck KGaA) could be interested in inking a licensing deal with TNG to improve/distinguish themselves from the crowd... Especially since TG3003 might benefit from a differentiated mechanism of action (skewing of monocyte differentiation from M2-TAM towards dendritic cells, decreased production of IL-6, no blockade of ligand binding / non-cytotoxic). Further preclinical testing is to be done, but a licensing deal could be inked in the coming months should these preliminary data confirm TG3003's MoA.
- And of course don't forget TG4010.** As stated in our previous comments, there is a strong rationale behind the combination of a cancer vaccine like TG4010 and an anti-PD-1 (the first one boosting the anti-cancer response, while the latter disinhibits it + potential upregulation of PD-L1 associated with an increased release of IFN-gamma). And should the future efficacy data confirm these synergies (BG: 2017e), the inking of a licensing deal would be more likely, in our view.

VALUATION

- We reiterate our FV of EUR5.0.** The risk-reward profile is attractive in our view, especially since 1/ our valuation (which is c.75% above the current share price) could be significantly increased if key upside scenarios play out; 2/ the downside will be limited by the raised cash along with the diversity of the pipeline.

NEXT CATALYSTS

- H2 16: IPO of Sillajen, positive read-across for PexaVEC + Potential ou-licensing of TG3003.

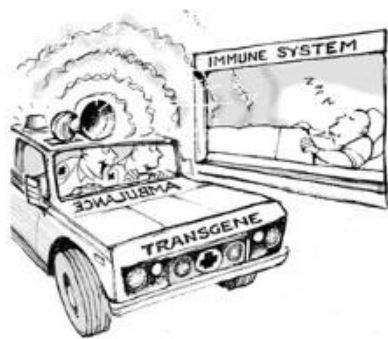
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	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.8%	1.8%	-6.8%	7.1%
Healthcare	-6.4%	-9.9%	-5.6%	-12.9%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	0.0	0.0	0.0	0.0
% change				
EBITDA	-33.2	-25.8	-23.8	-26.0
EBIT	-35.8	-35.1	-26.0	-28.1
% change		2.1%	25.8%	-8.2%
Net income	-37.9	-36.1	-27.0	-29.1
% change		4.9%	25.1%	-7.9%

	2015	2016e	2017e	2018e
Operating margin	NM	NM	NM	NM
Net margin	NM	NM	NM	NM
ROE	-142.8	379.2	74.0	44.4
ROCE	-73.1	-70.5	-53.5	-58.6
Gearing	83.4	-604.3	-229.4	-170.9

(EUR)	2015	2016e	2017e	2018e
EPS	-0.98	-0.94	-0.70	-0.76
% change	-	4.9%	25.1%	-7.9%
P/E	NS	NS	NS	NS
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	NS	NS	NS	NS
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS



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Distribution of stock ratings

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