

Sector View

Biotechnology

	1 M	3 M	6 M	31/12/15
Healthcare	-5.6%	-9.4%	-7.3%	-15.8%
DJ Stoxx 600	-1.0%	-0.8%	1.2%	-6.8%

*Stoxx Sector Indices

Companies covered

Company	Rating	Market Cap.
ABLYNX	BUY	EUR16
Last Price	EUR8.97	EUR546m
ADOCIA	BUY	EUR82
Last Price	EUR51.42	EUR352m
BONE THERAPEUTICS	BUY	EUR30
Last Price	EUR7.601	EUR52m
CELLECTIS	BUY	EUR37
Last Price	EUR16.8	EUR594m
CELYAD	NEUTRAL	EUR21
Last Price	EUR17.655	EUR164m
DBV TECHNOLOGIES	BUY	EUR91
Last Price	EUR67.25	EUR1,621m
ERYTECH	BUY	EUR30
Last Price	EUR13.34	EUR106m
GALAPAGOS	BUY	EUR64
Last Price	EUR54.91	EUR2,535m
GENEURO	BUY	EUR18.2
Last Price	EUR7.34	EUR108m
GENMAB	BUY	DKK1900
Last Price	DKK1251	DKK75,498m
INNATE PHARMA	BUY	EUR23
Last Price	EUR14.65	EUR790m
MORPHOSYS	BUY	EUR65
Last Price	EUR46.09	EUR1,344m
NICOX	No rating	U.R.
Last Price	EUR7.679	EUR192m
TRANSGENE		EUR5
Last Price	EUR2.61	EUR147m
ZEALAND	BUY	DKK223
Last Price	DKK126.5	DKK3,298m

JCAR015's safety issues back under the spotlight. Read-across for ALCLS and NVS

Juno shares fell by more than 25% yesterday following the announcement of a voluntary clinical hold on its ROCKET 2 trial (Phase II evaluating JCAR019, an anti-CD19 CAR-T, in B ALL) following two patient deaths from cerebral oedema. We believe these safety issues are company/product-specific... And consequently, 1/ any pronounced pressure on ALCLS' shares could be an opportunity to revisit the case; 2/ we see a positive read-across for NVS' CTL019 as JCAR015's filing for approval could be further delayed... or even cancelled.

ANALYSIS

- **JCAR015's trial once again put on hold due to safety issues.** Juno yesterday voluntarily placed on hold its ROCKET 2 trial evaluating JCAR015 (CD19 CAR-T) in adults with relapsed/refractory B acute lymphoblastic leukaemia following two patients deaths from cerebral oedema earlier this week. Obviously, the company is trying to better understand the reasons behind these cases. And once done, we'll see if this specific programme will be resumed or even discontinued...
- **Towards more scepticism?** A few months ago, the FDA put a clinical hold on the very same trial because of several patient deaths (also due to severe neurological side effects). Juno explained such adverse events could be related to the pre-conditioning regimen (fludarabine + cyclophosphamide), and the trial was resumed after a few changes to the trial design. Since then, the street has been increasingly worried about this development... and some even wondered if such issues are CART-related or not. And unfortunately, this news might provide material for the most sceptics.
- **A company-specific issue.** For our part, we believe these safety issues could be candidate-specific as 1/ no other CAR-T cells have reported similar problems, whether Novartis, Kite or Bellicum... And even Juno apart from JCAR015; 2/ cerebral oedema is one of the adverse events known to be associated with the administration of fludarabine. So any pronounced pressure on ALCLS shares should be seen as an opportunity to revisit the case in our view (especially since key clinical data is to be published in H1 2017). Also, we see a positive read-across for NVS' CTL019 as JCAR015's filing for approval could be further delayed, or even cancelled in a best-case scenario.

VALUATION

- We remain at Buy on Cellectis (FV EUR37) while reiterating our neutral stance on Novartis (FV CHF81). But note that CTL019 is quite a small candidate within NVS' portfolio as we foresee peak sales of c.USD400m by 2022.

NEXT CATALYSTS

- H1 2017: Cellectis - UCART19 interim Phase I/II data in ALL/CLL (at ASCO for the latest).
- 2017: CLT019 BLA submission in both paediatric ALL and DLBCL.

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Analyst :
Mickael Chane Du
33(0) 1 70 36 57 45
mchanedu@bryangarnier.com

Sector Team :
Eric Le Berrigaud
Marion Levi
Hugo Solvet

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
				Regulated by the FINMA

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