



2nd May 2019

TRANSGENE

| Healthcare
| Biotech

CORPORATE

Fair Value EUR6.5(+117%)
Share price EUR3
EPS 3Y Cagr NM

Transgene signs an agreement with AstraZeneca

A landmark deal in oncolytic viruses

Transgene today announces an agreement with AstraZeneca to design and develop oncolytic viruses including its novel and improved Vaccinia Virus. Oncolytic viruses are viruses designed to specifically target cancer. When inside the cancer cells they kill them by the multiplication and the release of new viruses that are able to infect other cancer cells and kill them. In addition, Transgene is able to arm its viruses so that they can produce inside the tumour micro-environment either a chemotherapy agent or a protein to stimulate the immune system ("armed viruses").

A recognition for the Invir IO platform

In our latest report on Transgene dated 12th February 2019, we highlighted the potential of the two technological platforms developed by Transgene: Invir IO and myvac. The first one develops oncolytic viruses and the approach has already attracted some large pharmaceutical companies like Merck & Co, which bought Viralytics for USD394m, J&J which acquired Benevir for a total consideration of USD1bn and Boehringer Ingelheim which acquired ViraTherapeutics for EUR210m.

Transgene will get a USD10m upfront payment

The financial metrics of this agreement are: an upfront payment of USD10m and pre-clinical success milestones of up to USD3m. In addition, Transgene is eligible to receive an option exercise payment on each candidate in the event AstraZeneca exercises its license option, as well as development and commercial milestones and royalties.

Cash visibility until Q4 2020 - Buy reiterated

At the end of 2018, Transgene had EUR16.9m in cash and cash equivalents. However, the company has secured a EUR20m loan using its Tasy shares as a collateral, and with the AZN agreement, Transgene has now cash visibility until Q4 2020.

This new agreement reinforces our positive view on the company and particularly the value of the two technological platforms and that is why we reiterate our Buy rating.

Market Data

Bloomberg / Reuters	TNG.FP/TRNG PA
Market Cap.	EUR187m
E.V.	EUR190m
Free Float	87.6%
Avg. Daily volume (6m)	37.50
12m high / low	EUR3.3 / EUR2.6
Ytd Perf.	9.9%

EURM	12/18	12/19e	12/20e	12/21e
Sales	42.9	7.1	67.7	21.3
% Change		-83.5%		-68.5%
EBITDA	9.5	-33.9	22.5	-27.2
% Change			NS	
EBIT	7.4	-36.0	20.4	-29.3
% Change			NS	
Net Income	8.0	-38.1	18.4	-31.3
% Change			NS	
ROE	0.22	27.91	1.08	2.19

	12/18	12/19e	12/20e	12/21e
EV/Sales	4.4x	26.4x	2.4x	8.6x
EV/EBITDA	20.1x	NS	7.1x	NS
EV/EBIT	25.8x	NS	7.8x	NS
EPS	0.13	-0.61	0.30	-0.50
% change			NS	
P/E	23.2x	NM	10.1x	NM
Div Yield	NM	NM	NM	NM

Next Catalyst: 13/05/2019 - Q1 2019 results

Last rating Change:

[2019-2-12, The Platform Approach Is Worth Another Look](#)

Last FV Change:

[2017-11-10, Successful capital increase, EUR14.4m raised](#)

Last Reports:

[2019-3-21, FY 2018 results in line with expectation](#)

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Distribution of stock ratings

BUY ratings 50%

NEUTRAL ratings 42.8%

SELL ratings 7.2%

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