

TxCeIl

Lonza to make CAR Tregs

TxCeIl has announced that Lonza, the biopharmaceutical and cell manufacturing global specialist, will produce its CAR Tregs. TxCeIl uses a robust manufacturing design to give low inter-patient variability with potentially consistent therapeutic results. The time needed to transfer and validate the process in Lonza will push the IND filing to H119, formerly by Q418 but with security of supply. TxCeIl has drawn €5.4m of convertible loans ytd and is seeking longer-term funding or a partnering deal. The indicative valuation remains at €87.9m.

| Year end | Revenue (€m) | PBT* (€m) | EPS* (c) | DPS (c) | P/E (x) | Yield (%) |
|----------|--------------|-----------|----------|---------|---------|-----------|
| 12/16 | 0.00 | (12.73) | (98) | 0.0 | N/A | N/A |
| 12/17 | 0.00 | (9.71) | (46) | 0.0 | N/A | N/A |
| 12/18e | 0.00 | (11.87) | (53) | 0.0 | N/A | N/A |
| 12/19e | 0.00 | (12.02) | (54) | 0.0 | N/A | N/A |

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. Share issues in 2018 will reduce EPS.

CAR Treg with multiple preclinical projects

TxCeIl aims to be the leading Treg company to treat immune disorders using chimeric antigen receptor (CAR) technology. In an [ASCO discussion](#), Professor Carl June, MD, a pioneer of CAR-T therapy for cancer, noted that “Engineering T cells is a way to put the immune system on steroids and boost it to fight not just cancer but other chronic diseases...Companies are...investigating CAR T-cell therapy in organ transplantation to eliminate the need for lifelong immune-suppressants. The same principles that apply in the treatment of cancer apply to other diseases impacted by inflammation”. TxCeIl plans CAR Treg trials as a proof of concept in solid organ transplant.

Lonza to manufacture

TxCeIl can make autologous CAR Tregs in about three to four weeks. Lonza will now take this process and transfer it to its facility in Holland to supply global clinical trials. TxCeIl has gained a globally recognised manufacturing partner, which will reduce risk for potential partners. However, Lonza’s scheduling constraints mean that the validation of the process will postpone the IND filing into H119. The deal avoids the need for TxCeIl to incur long-term manufacturing overheads.

Valuation: €87.9m value unchanged

As at 31 March 2018, TxCeIl had €3.6 m of cash after gaining €1.9m in advanced tax credits and the delayed payment of €2m to Trizell. Of the €5.4m loan notes issued ytd, €0.4m in nominal value had converted to 0.4m shares by 5 June at an average of €0.99/share. The 2016 loans have all converted. The new loan terms are much improved with no fees and fewer warrants (450,000 ytd). TxCeIl is now better placed to partner its CAR Treg programme - although any deal remains uncertain. If no deal is concluded during 2018, TxCeIl could draw up to €13.8m of loans by the year end; it can stop drawdowns at any time if other funding is available. The indicative value remains at €87.9m. The use of convertible loans will lead to further dilution over 2018.

12 June 2018

Price €0.86

Market cap €19m

Cash (€m) at 31 March 2018 3.6

Shares in issue (as of 5 June 2018) 22.34m

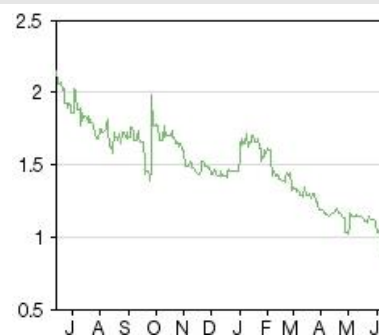
Free float 59.45%

Code TXCL

Primary exchange Euronext Paris

Secondary exchange N/A

Share price performance



| % | 1m | 3m | 12m |
|-------------|--------|--------|--------|
| Abs | (24.7) | (33.3) | (60.3) |
| Rel (local) | (23.8) | (35.5) | (61.6) |

52-week high/low €2.2 €0.9

Business description

TxCeIl is developing regulatory T-cell therapies against autoimmune and inflammatory disorders. It is now focused on a novel CAR Treg technology platform. A clinical trial in transplantation may file for regulatory authorisation in H1 2019. Lonza is the manufacturing partner.

Next events

Q2 results 19 July 2018

Filing of IND H119

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Exhibit 1: Financial summary

| | €000s | 2016 | 2017 | 2018e | 2019e |
|--|-------|----------|----------|----------|----------|
| Year End December | | IFRS | IFRS | IFRS | IFRS |
| PROFIT & LOSS | | | | | |
| Revenue | | 0 | 0 | 0 | 0 |
| Tax refund | | 2,948 | 2,234 | 2,500 | 2,500 |
| Cost of Sales | | 0 | 0 | 0 | 0 |
| Gross Profit | | 2,948 | 2,234 | 2,500 | 2,500 |
| EBITDA | | (11,946) | (9,301) | (11,772) | (11,924) |
| Operating Profit (before amort. and except.) | | (12,046) | (9,401) | (11,872) | (12,024) |
| Intangible Amortisation | | 0 | 0 | 0 | 0 |
| Exceptionals | | (87) | 0 | 0 | 0 |
| Share based payments | | (649) | (1,099) | (1,000) | (1,000) |
| Operating Profit | | (12,783) | (10,500) | (12,872) | (13,024) |
| Net Interest | | (18) | (96) | (100) | (100) |
| Profit Before Tax (norm) | | (12,733) | (9,712) | (11,872) | (12,024) |
| Profit Before Tax (FRS 3) | | (13,569) | (10,911) | (12,972) | (13,123) |
| Tax | | 0 | 0 | 0 | 0 |
| Profit After Tax (norm) | | (12,733) | (9,712) | (11,872) | (12,024) |
| Profit After Tax (FRS 3) | | (13,569) | (10,911) | (12,972) | (13,123) |
| Average Number of Shares Outstanding (m) | | 13.1 | 21.0 | 22.4 | 22.4 |
| EPS - normalised (c) | | (97.5) | (46.3) | (53.0) | (53.7) |
| EPS - (IFRS) (c) | | (103.9) | (52.0) | (57.9) | (58.6) |
| Dividend per share (c) | | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross Margin (%) | | NA | NA | NA | NA |
| EBITDA Margin (%) | | NA | NA | NA | NA |
| Operating Margin (before GW and except.) (%) | | NA | NA | NA | NA |
| BALANCE SHEET | | | | | |
| Fixed Assets | | 7,031 | 7,254 | 7,204 | 7,154 |
| Intangible Assets | | 5,911 | 5,935 | 5,885 | 5,835 |
| Tangible Assets | | 799 | 1,041 | 1,041 | 1,041 |
| Other | | 322 | 278 | 278 | 278 |
| Current Assets | | 5,763 | 7,530 | 5,315 | 3,243 |
| Stocks | | 0 | 0 | 0 | 0 |
| Debtors | | 1,381 | 2,620 | 2,620 | 2,620 |
| Cash | | 3,482 | 4,910 | 2,695 | 623 |
| Other | | 900 | 0 | 0 | 0 |
| Current Liabilities | | (7,893) | (6,683) | (2,590) | (2,590) |
| Creditors | | (7,724) | (6,345) | (2,252) | (2,252) |
| Short term borrowings | | (169) | (338) | (338) | (338) |
| Long Term Liabilities | | (3,710) | (1,481) | (14,881) | (24,881) |
| Long term borrowings | | (3,650) | (1,161) | (14,561) | (24,561) |
| Other long term liabilities | | (60) | (321) | (321) | (321) |
| Net Assets | | 1,191 | 6,620 | (4,952) | (17,074) |
| CASH FLOW | | | | | |
| Operating Cash Flow | | (10,417) | (9,657) | (15,693) | (11,751) |
| Net Interest | | (18) | (96) | (100) | (100) |
| Tax | | 0 | 0 | 0 | 0 |
| Capex | | (337) | (196) | (222) | (222) |
| Acquisitions/disposals | | 0 | 0 | 0 | 0 |
| Equity financing | | 270 | 10,084 | 400 | 0 |
| Other | | 4,776 | 1,293 | 13,400 | 10,000 |
| Net Cash Flow | | (5,726) | 1,429 | (2,215) | (2,072) |
| Opening net debt/(cash) | | (7,567) | 337 | (3,411) | 12,204 |
| HP finance leases initiated | | 0 | 0 | 0 | 0 |
| Other | | (2,178) | 2,320 | (13,400) | (10,000) |
| Closing net debt/(cash) | | 337 | (3,411) | 12,204 | 24,276 |

Source: Company accounts, Edison Investment Research

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