

ReNeuron Group

The rise of the exosome

ReNeuron introduced its exosome nanomedicine programme at its recent capital markets day. While being a preclinical programme, it has three significant advantages. First, it gives ReNeuron the potential to expand into new therapeutic indications. Second, it opens up the potential for collaborations in diagnostics and drug delivery. Third, it builds on its wealth of experience and IP and on its CTX cell line on which ReNeuron's existing products and the exosome platform are built.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/16	0.0	(12.8)	(0.44)	0.0	N/A	N/A
03/17	0.0	(18.2)	(0.49)	0.0	N/A	N/A
03/18e	0.0	(21.4)	(63.45)**	0.0	N/A	N/A
03/19e	0.0	(24.7)	(73.38)**	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, **post share consolidation, exceptional items and share-based payments.

A new (existing) platform emerges

ReNeuron's capital markets day showcased its exosome nanomedicine platform. ReNeuron's scientists, clinicians and its collaborators described the origin and functions of these naturally occurring sub-cellular vesicles. ReNeuron has been working on exosomes for many years since discovering them as a by-product of its genetically modified human neural stem cell line (CTX). The expert panel also described the potential use and applications of exosomes.

From oncology therapeutics to drug delivery

Through the development of ReNeuron's CTX cell line products for chronic stroke and retinitis pigmentosa (which continue to advance in clinical studies), applications for the exosome nanomedicine platform have become apparent. Native exosomes migrate to the liver if injected intravenously in healthy animals and to the lymph nodes if injected intraperitoneally. Exosomes also migrate to tumours, opening up the possibility of a targeted cancer therapy because exosomes can be loaded with chemotherapeutic agents, and also oncology diagnostics. New drugs such as mRNAs need a delivery mechanism to protect them from degradation. The loading of exosomes with drugs can both stabilise a labile drug and target its delivery. Thus, the exosome platform could at the very least provide ReNeuron with a source of licensing revenue and at most, a new therapeutic oncology product.

Valuation: Minor changes ahead of FY results

In recent publications of Edison Healthcare Insight, we increased our estimated FY19 R&D expenses to account for the conduct of two Phase II studies. Since then, we have made one change to our model incorporating our estimate of the FY18 cash. Our risk-adjusted NPV valuation of ReNeuron is £276m, or 8.74p per share (previously £290m). ReNeuron's market capitalisation is c £22m – below cash and ascribing no technology value for a company in two Phase II studies or the recently disclosed exosome platform. This may make our assumption of an injection of funding prior to the end FY19 of increasing significance.

Capital markets day

Pharma & biotech

22 May 2018

Price 69.00p

Market cap £22m

Estimated cash (£m) at end March 2018 32.3

Shares in issue 31.6m

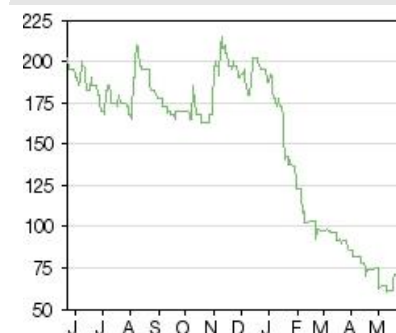
Free float 31.6%

Code RENE

Primary exchange AIM

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(6.8)	(25.4)	(65.9)
Rel (local)	(12.2)	(30.7)	(67.7)
52-week high/low	215.0p	60.0p	

Business description

ReNeuron is a UK biotech company developing allogeneic cell therapies. CTX neural stem cells are in development for chronic ischaemic stroke disability (Phase IIb planned) and human retinal progenitor cells (hRPCs) are being studied for retinitis pigmentosa (Phase I/II).

Next events

Full-year results	Q218
Initiation of the first US late-stage controlled stroke study	Q218
Phase I/II readout for hRPC in retinitis pigmentosa (RP)	Q218
Start Phase IIb hRPC in RP	Q218

Analysts

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ReNeuron Group is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	£'000s	2016	2017	2018e	2019e	2020e
Year end 31 March		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		29	46	46	46	46
Cost of Sales		0	0	0	0	0
Gross Profit		29	46	46	46	46
R&D expenses		(10,272)	(16,648)	(18,313)	(20,986)	(23,084)
SG&A expenses		(4,015)	(4,139)	(4,346)	(4,781)	(5,259)
EBITDA		(13,632)	(19,814)	(21,614)	(24,218)	(26,286)
Operating Profit (before amort. and except.)		(13,724)	(19,887)	(21,759)	(24,866)	(27,443)
Intangible Amortisation		0	0	0	0	0
Exceptionals		0	0	0	0	0
Operating Profit		(13,724)	(19,887)	(21,759)	(24,866)	(27,443)
Other		0	0	0	0	0
Net Interest		878	1,722	398	161	87
Profit Before Tax (norm)		(12,846)	(18,165)	(21,361)	(24,705)	(27,356)
Profit Before Tax (FRS 3)		(12,846)	(18,165)	(21,361)	(24,705)	(27,356)
Tax		1,492	2,592	1,282	1,482	3,283
Profit After Tax (norm)		(11,354)	(15,573)	(20,079)	(23,223)	(24,073)
Profit After Tax (FRS 3)		(11,354)	(15,573)	(20,079)	(23,223)	(24,073)
Average Number of Shares Outstanding (m)		2,609.3	3,164.6	31.6	31.6	31.6
EPS - normalised (p)		(0.44)	(0.49)	(63.45)	(73.38)	(76.07)
EPS - FRS 3 (p)		(0.44)	(0.49)	(63.45)	(73.38)	(76.07)
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
BALANCE SHEET						
Fixed Assets		6,963	724	3,239	5,783	8,457
Intangible Assets		1,591	0	0	0	0
Tangible Assets		361	724	3,239	5,783	8,457
Other		5,011	0	0	0	0
Current Assets		64,894	58,136	34,635	19,944	(5,626)
Stocks		0	0	0	0	0
Debtors		1,421	1,060	1,060	1,060	1,060
Cash		60,709	53,061	32,293	17,402	(9,969)
Other		2,764	4,015	1,282	1,482	3,283
Current Liabilities		(4,199)	(5,702)	(3,702)	(13,702)	(13,702)
Creditors		(3,700)	(5,701)	(3,701)	(3,701)	(3,701)
Short term borrowings		0	0	0	(10,000)	(10,000)
Short term leases		(1)	(1)	(1)	(1)	(1)
Other		(498)	0	0	0	0
Long Term Liabilities		0	(1)	(1)	(1)	(1)
Long term borrowings		0	0	0	0	0
Long term leases		0	(1)	(1)	(1)	(1)
Other long term liabilities		0	0	0	0	0
Net Assets		67,658	53,157	34,171	12,025	(10,872)
CASH FLOW						
Operating Cash Flow		(11,920)	(13,976)	(22,521)	(23,103)	(25,149)
Net Interest		0	0	0	0	0
Tax		0	1,340	4,015	1,282	1,482
Capex		(293)	(532)	(2,660)	(3,192)	(3,830)
Acquisitions/disposals		0	0	0	0	0
Financing		65,195	0	0	0	0
Dividends		0	0	0	0	0
Other		345	520	398	122	87
Net Cash Flow		53,327	(12,648)	(20,768)	(24,891)	(27,410)
Opening net debt/(cash)		(12,380)	(65,708)	(53,059)	(32,291)	(7,400)
HP finance leases initiated		1	(1)	0	0	0
Other		(0)	(0)	(0)	(0)	0
Closing net debt/(cash)		(65,708)	(53,059)	(32,291)	(7,400)	20,009

Source: ReNeuron accounts, Edison Investment Research

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