

TxCell

FY16 results

Aiming for first CAR Treg

Pharma & biotech

TxCell's novel CAR-modified regulatory T-cell (CAR Treg) platform continues to develop well. TxCell has four indications in preclinical development with the first ever CAR Treg trial, in transplant rejection, anticipated by TxCell to start by late 2018. This could provide powerful clinical proof-of-concept data by 2020. In 2017, an €11.1m gross rights issue provided funding for 2017 with an operational cash use of €13m guided by management. In 2018, warrants could bring a further €10.8m in cash covering costs until the IND is filed for the first ever CAR Treg clinical trial. The indicative market cap remains at €74m.

14 March 2017

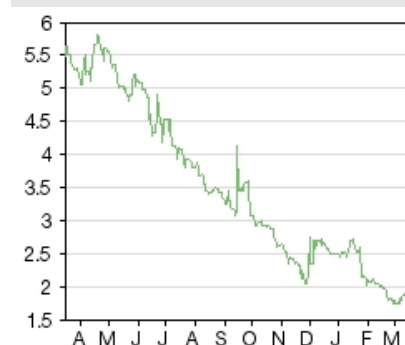
Price €1.95
Market cap €38m

Cash (€m) at 31 December 2016	3.5
Shares in issue (as of 24 February post share issue)	19.4m
Free float	40%
Code	TXCL
Primary exchange	Euronext Paris
Secondary exchange	N/A

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	0.92	(10.78)	(88)	0.0	N/A	N/A
12/16	0.00	(12.73)	(98)	0.0	N/A	N/A
12/17e	0.00	(11.27)	(56)	0.0	N/A	N/A
12/18e	0.00	(10.95)	(31)	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 2016, 2017 and 2018 reduce EPS. Revenues shown exclude tax credits.

Share price performance



%	1m	3m	12m
Abs	(3.0)	(23.9)	(63.8)
Rel (local)	(5.1)	(27.3)	(67.6)
52-week high/low		€5.5	€1.7

Business description

TxCell 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 start in 2018. Ovasave for Crohn's disease is at clinical stage but is on hold.

Next events

Annual report	April 2017
Preclinical update	Q317
IND on CAR Treg	2018

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Focus on CAR Treg with transplant in the lead

TxCell is now focused on the CAR Treg ENTrIA platform technology (see our last published note of [28 February 2017](#)). ENTrIA uses chimeric antigen receptor (CAR) technology similar to that in the CAR T-cell cancer area; TxCell holds a core granted US patent. We expect ENTrIA to be an excellent basis for partnering and technology licensing – although deals are not shown in financial forecasts. The first clinical CAR Treg trial may start in 2018 for transplant, based on a key academic collaboration with published preclinical CAR Treg data. Other potential indications are lupus nephritis, bullous pemphigoid (skin) and multiple sclerosis. Ovasave, using ASTrIA technology with non-modified Tr1 Tregs is on hold.

Financing and funding: Cash into 2018

TxCell had €3.5m cash at the end of 2016 and issued a further 5.5m of shares in the February 2017 €11.1m rights issue. This gave 19.4m shares as of 24 February. TxCell is therefore funded for its estimated 2017 €13m cash burn. By February 2018, TxCell anticipates that conversion of the 4.6m rights issue warrants (four warrants for three shares) will yield up to €10.8m. This could cover 2018 costs until the CAR Treg IND filing, but Edison forecasts that up to €2m additional cash may be needed, perhaps covered by a Treg deal. Edison has updated the financial statements (Exhibit 1) to reflect the figures published on 10 March.

Valuation: Unchanged with good prospects

TxCell is in a transitional phase since the potentially high-value CAR Treg projects are moving through preclinical. The CAR Treg projects have a total nominal value of €30m. Potential CAR Treg deals are valued at €29m using as a benchmark Celgene's \$300m acquisition of Delinia, a preclinical Treg company. After costs and tax, this gives an unchanged NPV of €74m equal to €3.75/share. Assuming full conversion of loans and warrants, the diluted value remains at €2.83/share.

Exhibit 1: Financial summary

	€ 000	2015	2016e	2017e	2018e
Year End December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		920	0	0	0
Tax refund		3,718	2,948	3,000	3,000
Cost of Sales		0	0	0	0
Gross Profit		4,638	2,948	3,000	3,000
EBITDA		(10,797)	(11,946)	(11,113)	(10,956)
Operating Profit (before amort. and except.)		(9,662)	(12,046)	(11,213)	(11,056)
Intangible Amortisation		0	0	0	0
Exceptionals		(1,167)	(87)	0	0
Share based payments		(483)	(649)	(650)	(650)
Operating Profit		(11,312)	(12,783)	(11,863)	(11,706)
Net Interest		42	(18)	10	2
Profit Before Tax (norm)		(10,782)	(12,733)	(11,268)	(10,954)
Profit Before Tax (FRS 3)		(11,297)	(13,570)	(12,018)	(11,704)
Tax		0	0	0	1
Profit After Tax (norm)		(10,782)	(12,733)	(11,268)	(7,954)
Profit After Tax (FRS 3)		(11,297)	(13,570)	(12,018)	(8,704)
Average Number of Shares Outstanding (m)		12.3	13.0	20.3	25.3
EPS - normalised (c)		(87.7)	(97.6)	(55.5)	(31.4)
EPS - (IFRS) (c)		(91.9)	(104.0)	(59.2)	(34.4)
Dividend per share (c)		0.0	0.0	0.0	1.0
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		6,938	6,967	7,267	7,567
Intangible Assets		5,907	5,957	6,057	6,157
Tangible Assets		876	826	1,026	1,226
Other		155	184	184	184
Current Assets		13,782	7,952	5,148	4,614
Stocks		0	0	0	0
Debtors		1,551	1,504	1,504	1,505
Cash		9,208	3,500	644	109
Other		3,023	2,948	3,000	3,000
Current Liabilities		(7,467)	(9,000)	(7,000)	(5,000)
Creditors		(5,859)	(6,889)	(4,889)	(2,889)
Short term borrowings		(1,608)	(2,111)	(2,111)	(2,111)
Long Term Liabilities		(1,664)	(4,967)	(1,667)	(3,668)
Long term borrowings		(1,641)	(4,948)	(1,648)	(3,648)
Other long term liabilities		(23)	(19)	(19)	(20)
Net Assets		11,589	952	3,748	3,513
CASH FLOW					
Operating Cash Flow		(10,108)	(10,379)	(13,010)	(12,958)
Net Interest		42	(18)	10	2
Tax		0	0	0	0
Capex		(214)	(100)	(400)	(400)
Acquisitions/disposals		(5,879)	0	0	0
Equity financing		7,631	1,700	13,845	10,821
Other		3,813	3,089	(3,300)	2,000
Net Cash Flow		(4,715)	(5,708)	(2,855)	(535)
Opening net debt/(cash)		(10,895)	(5,959)	3,559	3,115
HP finance leases initiated		0	0	0	1
Other		(221)	(3,810)	3,300	(2,000)
Closing net debt/(cash)		(5,959)	3,559	3,115	5,649

Source: TxCell accounts, Edison Investment Research. Note: *Equity in 2017 is €3.3m loan conversion and the €11 rights issue. Equity in 2018 assumes full rights warrant conversion, although this could happen progressively over the period to February 2018. A €2m nominal long-term loan is indicated in 2018 covered possible additional funding needs. FY16 accounts have not been fully published. FY15 has been adjusted in line with the headline 2016 figures.

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