

# Celyad

THINK, SHRINK and LINK

FY16 results and trial plans

Pharma & biotech

03 April 2017

**Price** **\$28.5**

**Market cap** **\$271m**

ADR/Ord conversion ratio 1:1

Net cash (\$m) at 31 December 2016 81.5m

ADRs in issue 9.52m

ADR code CYAD

ADR exchange NASDAQ

Underlying exchange Euronext Brussels

Depository CITI

Celyad has provided an update on its trial plans and announced 2016 preliminary results. The THINK Phase Ib trial is a major expansion of CAR therapy with five solid tumors plus AML and MM being explored. The THINK dose escalation results are expected in Q417 with six-month efficacy results possible from H218. The colorectal, SHRINK trial starting in Q2 will explore combining NKR-2 therapy with chemotherapy. The Q3 LINK trial will explore direct delivery of NKR-2 cells to metastatic liver tumors. The move into solid tumors puts Celyad in a leading position. Our interim indicative value remains at \$50 per share. Cash remains strong at \$91.7m.

Year end	Revenue (\$m)	PTP* (\$m)	EPADR (\$)	DPADR (\$)	P/E (x)	Yield (%)
12/15	0.0	(30.9)	(3.55)	0.0	N/A	N/A
12/16	9.5	(25.3)	(2.32)	0.0	N/A	N/A
12/17e	0.0	(39.4)	(4.14)	0.0	N/A	N/A
12/18e	10.0	(28.0)	(2.94)	0.0	N/A	N/A

Note: Converted at €0.89/US\$1. \*PBT and EPS are normalized, excluding amortization of acquired intangibles, exceptional items and share-based payments.

## NKR-2 moving through dose escalation

Celyad is now running both Belgian and US arms of the immuno-oncology autologous NKR-2 trials (THINK). The first dose cohorts have been recruited. Data on the final dose (up to 3bn (3 x 10<sup>9</sup>) cells is expected in Q417. One arm has two hematological cancers: AML and MM. The other has five solid tumors: colorectal, triple negative breast, pancreatic, bladder and ovarian. At the highest dose, each tumor type then moves into a 14-patient efficacy phase. Data (six-month) are possible from H218. Tumor types showing efficacy could then move directly into expanded studies allowing BLA filings, perhaps from 2019-20. Other CAR companies are in the congested CD19 area with few trials in solid tumors.

## Shrinking and linking with two new programmes

Two new NKR-2 projects are being planned. SHRINK will take colorectal patients receiving a standard chemotherapy regime (FOLFOX) given every two weeks and administer a few days after each chemotherapy course. The chemotherapy should generate more tumor cell NKR-2 target ligands, which may improve efficacy by better targeting; there is a possible risk of increased side effects on normal cells. LINK will recruit colorectal cancer patients with metastatic liver tumors. The NKR-2 cells will be infused using a catheter into the liver near to the metastases. This should give more NKR-2 cells in the tumor sites.

## Valuation: Unchanged at \$50 per share

Our valuation focuses on NKR-2 indications and includes five solid tumors plus the AML and multiple myeloma (MM). Celyad is planning to spend between \$39m and \$44m in 2017 and 2018, which gives cash into 2019. We assume a possible ONO allogeneic deal milestone of \$13m (less 25% royalty) in 2018. The indicative value is unchanged at \$50 per share. The C-Cure cardiac project is being outsourced to a partner; this process is ongoing.

## ADR share price performance



52-week high/low \$58.7 \$16.7

## Business description

Celyad is developing an innovative CAR T-cell (NKR-2) immuno-oncology technology. The THINK Phase Ib study is underway in hematological and five solid tumor types. Celyad is seeking a strategic partner for C-Cure, an autologous stem cell therapy for chronic heart disease.

## Next events

Start of SHRINK	Q217
Start of LINK	Q317
H117 results	Q317
THINK final dose data	Q417

## Analysts

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**Exhibit 1: Financial summary**

	US\$'000s	2015	2016	2017e	2018e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		0	9,461	0	9,990
Cost of Sales		(1)	(59)	0	0
Gross Profit		(1)	9,402	0	9,990
EBITDA		(31,179)	(26,712)	(38,850)	(27,417)
Operating Profit (before amort and except)		(31,482)	(27,556)	(39,694)	(28,261)
Intangible Amortisation		(844)	(839)	(839)	(839)
Other income and charges		0	(578)	0	0
Share-based payments		(882)	547	0	0
Operating Profit		(33,208)	(28,426)	(40,533)	(29,100)
Net Interest		619	2,217	278	278
PTP (norm)		(30,863)	(25,339)	(39,416)	(27,983)
PTP (FRS 3)		(32,589)	(26,209)	(40,255)	(28,822)
Tax		0	7	0	0
PAT (norm)		(30,863)	(21,625)	(39,416)	(27,983)
PAT (FRS 3)		(32,589)	(26,203)	(40,255)	(28,822)
Average number of ADRs outstanding (m)		8.7	9.3	9.5	9.5
EPADR - normalised (\$)		(3.55)	(2.32)	(4.14)	(2.94)
EPADR - (IFRS) (\$)		(3.75)	(2.82)	(4.23)	(3.03)
Dividend per ADR (\$)		0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except) (%)		N/A	N/A	N/A	N/A
<b>BALANCE SHEET</b>					
Fixed Assets		55,617	59,318	57,802	56,286
Intangible Assets		54,156	55,018	54,179	53,340
Tangible Assets		1,261	3,955	3,278	2,601
Investments		200	345	345	345
Current Assets		121,456	94,756	54,785	26,243
Stocks		0	0	0	0
Debtors		609	1,508	1,508	1,508
Cash		119,339	91,672	51,700	23,159
Other		1,507	1,576	1,576	1,576
Current Liabilities		(12,754)	(12,515)	(12,229)	(11,640)
Creditors		(11,757)	(11,056)	(11,056)	(11,056)
Deferred revenue		0	0	0	0
Walloon loans for cash payment		(997)	(1,460)	(1,173)	(585)
Long Term Liabilities		(40,583)	(40,677)	(39,734)	(38,790)
Walloon loans (non-current)		(11,637)	(8,731)	(7,788)	(6,844)
Other long term liabilities		(28,945)	(31,946)	(31,946)	(31,946)
Net Assets		123,736	100,882	60,625	32,099
<b>CASH FLOW</b>					
Operating Cash Flow		(30,927)	(29,625)	(39,374)	(27,282)
Net Interest		619	2,217	956	293
Tax		0	0	0	0
Capex		(930)	(1,978)	(167)	(167)
Acquisitions/disposals		(5,756)	(1,733)	0	0
Financing		121,162	0	0	0
Dividends		0	0	0	0
Other		(3,649)	3,451	(1,386)	(1,386)
Net Cash Flow		80,519	(27,668)	(39,971)	(28,541)
Opening net debt/(cash)		(17,847)	(106,705)	(81,481)	(42,739)
HP finance leases initiated		0	0	0	0
Walloon loan recognition (non-cash)		8,339	2,443	1,230	1,532
Closing net debt/(cash)		(106,705)	(81,481)	(42,739)	(15,730)

Source: Edison Investment Research estimates, Celyad reports and announcements

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