

# TxCell

## Getting production in order

TxCell has agreed an important manufacturing supply contract with [Lentigen](#), a German-US producer of the critical lentivirus reagent essential for modifying T-cells. This is a core element for the development of CAR-modified regulatory T-cells (CAR Treg). Production of any modified T-cell therapy is complex and companies need to be able to scale up production and keep costs and prices under control. 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. Our indicative valuation remains at €74m.

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.

## Focus on CAR Treg with transplant in the lead

TxCell is now focused on the CAR Treg ENTrIA platform technology (see note of [28 February 2017](#)) using chimeric antigen receptor (CAR) technology similar to that in the CAR T-cell cancer area; TxCell holds a core granted US patent. ENTrIA needs viral vectors to deliver genes to isolated T-cells. This process needs to be finalised before the first clinical CAR Treg trial – due in late 2018 for transplant. Other potential indications are lupus nephritis and bullous pemphigoid (skin); TxCell has a research [collaboration](#) on multiple sclerosis with INSERM and Nantes University.

## Lentigen – stable viral supply to make CAR Tregs

Lentigen is a subsidiary of the German Miltenyi Biotec group, with 2015 sales of €141.5m. Miltenyi is a well-known and respected supplier of high-quality reagents for cell research and therapeutic production. It works with major companies like GSK. Lentivirus production is done in a 5,000sq ft GMP facility in the US supplying US and European trials; a new German facility is being completed. This gives TxCell local sources of supply, which is crucial as viral vector supply is currently one of the key bottlenecks in CAR T-cell development. Lentivectors are derived from HIV-1 but with all infectious genes removed. They have the advantage of infecting cells whether they are dividing or not. Genes are delivered as RNA, converted to DNA and incorporated into the Treg cell genome to give stable, long-term expression. A secure supply of vector is essential.OK

## Valuation: Unchanged at €2.83/share post 2018 warrants

TxCell is funded for its estimated 2017 €13m cash burn. By February 2018, conversion of the rights issue warrants into 4.16m shares at €2.60/share could yield up to €10.8m to cover 2018 costs until the CAR Treg IND filing; we forecast that up to €2m additional cash may be needed, perhaps covered by a Treg deal. Our indicative valuation is unchanged at €74m. Assuming full conversion of loans and warrants, the diluted value remains at €2.83/share.

## Manufacturing agreement

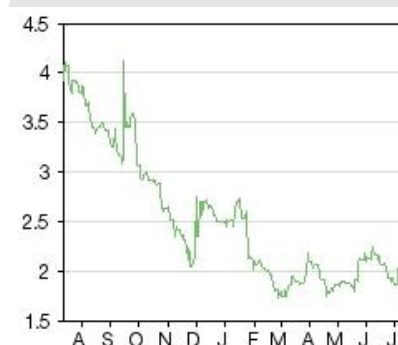
### Pharma & biotech

11 July 2017

**Price** €1.89  
**Market cap** €37m

Cash (€m) at 31 March 2017	11.3
Shares in issue	20.2m
Free float	40%
Code	TXCL
Primary exchange	Euronext Paris
Secondary exchange	N/A

### Share price performance



%	1m	3m	12m
Abs	(12.5)	(8.3)	(51.3)
Rel (local)	(10.1)	(9.6)	(60.8)
52-week high/low	€3.9	€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

Preclinical update	Q317
Q2 financial	26 July
IND on CAR Treg	2018

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**Exhibit 1: Financial summary**

	€000	2015	2016	2017e	2018e
Year end December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
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	0.0
Gross margin (%)		NA	NA	NA	NA
EBITDA margin (%)		NA	NA	NA	NA
Operating margin (before GW and except.) (%)		NA	NA	NA	NA
<b>BALANCE SHEET</b>					
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
<b>CASH FLOW</b>					
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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