

# Celyad

THINK, SHRINK and LINK

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 tumours 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 tumours. The move into solid tumours puts Celyad in a leading position. Our interim indicative value remains at €45 per share. Cash remains strong at €82.6m.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/15	0.15	(27.80)	(3.20)	0.0	N/A	N/A
12/16	8.52	(22.83)	(2.09)	0.0	N/A	N/A
12/17e	0.00	(35.51)	(3.73)	0.0	N/A	N/A
12/18e	9.00	(25.21)	(2.65)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation 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 haematological cancers: AML and MM. The other has five solid tumours: colorectal, triple negative breast, pancreatic, bladder and ovarian. At the highest dose, each tumour type then moves into a 14-patient efficacy phase. Data (six-month) are possible from H218. Tumour 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 tumours.

## 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 tumour 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 tumours. 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 tumour sites.

## Valuation: Unchanged at €45 per share

Our valuation focuses on NKR-2 indications and includes five solid tumours plus the AML and multiple myeloma (MM). Celyad is planning to spend between €35m and €40m in 2017 and 2018, which gives cash into 2019. We assume a possible ONO allogeneic deal milestone of €12m (less 25% royalty) in 2018. The indicative value is unchanged at €45 per share. The C-Cure cardiac project is being outsourced to a partner; this process is ongoing.

FY16 results and trial plans

Pharma & biotech

3 April 2017

Price €24.30

Market cap €231m

\$1.11/€

Cash (€m) at 31 December 2016 82.6

Shares in issue (Feb 2017) 9.52m

Free float 62.4%

Code CYAD

Primary exchange Euronext Brussels

Secondary exchange NASDAQ

### Share price performance



% 1m 3m 12m

Abs 17.3 36.4 (37.1)

Rel (local) 10.2 28.9 (44.4)

52-week high/low €52.9 €14.8

### Business description

Celyad is developing an innovative CAR T-cell (NKR-2) immuno-oncology technology. The THINK Phase Ib study is underway in haematological and five solid tumour 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

John Savin PhD +44 (0)20 3077 5735

Lala Gregorek +44 (0)20 3681 2527

[healthcare@edisongroup.com](mailto:healthcare@edisongroup.com)

[Edison profile page](#)

**Celyad is a research client of  
Edison Investment Research  
Limited**

**Exhibit 1: Financial summary**

	€000s	2015	2016	2017e	2018e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		0	8,523	0	9,000
Cost of Sales		(1)	(53)	0	0
Gross Profit		(1)	8,470	0	9,000
EBITDA		(28,089)	(24,065)	(35,000)	(24,700)
Operating Profit (before amort and except)		(28,362)	(24,825)	(35,760)	(25,460)
Intangible Amortisation		(760)	(756)	(756)	(756)
Other income and charges		0	(521)	0	0
Share-based payments		(795)	493	0	0
Operating Profit		(29,917)	(25,609)	(36,516)	(26,216)
Net Interest		558	1,997	250	250
Profit Before Tax (norm)		(27,804)	(22,828)	(35,510)	(25,210)
Profit Before Tax (FRS 3)		(29,359)	(23,612)	(36,266)	(25,966)
Tax		0	6	0	0
Profit After Tax (norm)		(27,804)	(19,482)	(35,510)	(25,210)
Profit After Tax (FRS 3)		(29,359)	(23,606)	(36,266)	(25,966)
Average Number of Shares Outstanding (m)		8.7	9.3	9.5	9.5
EPS - normalised (c)		(320)	(209)	(373)	(265)
EPS - (IFRS) (€)		(3.38)	(2.54)	(3.81)	(2.73)
Dividend per share (c)		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		50,105	53,440	52,074	50,708
Intangible Assets		48,789	49,566	48,810	48,054
Tangible Assets		1,136	3,563	2,953	2,343
Investments		180	311	311	311
Current Assets		109,420	85,366	49,356	23,643
Stocks		0	0	0	0
Debtors		549	1,359	1,359	1,359
Cash (cash plus deposits)		107,513	82,587	46,577	20,864
Other		1,358	1,420	1,420	1,420
Current Liabilities		(11,490)	(11,275)	(11,017)	(10,487)
Creditors		(10,592)	(9,960)	(9,960)	(9,960)
Deferred revenue		0	0	0	0
Walloon loans and bank loan		(898)	(1,315)	(1,057)	(527)
Long Term Liabilities		(36,561)	(36,646)	(35,796)	(34,946)
Loans (non-current) Bank and Walloon		(10,484)	(7,866)	(7,016)	(6,166)
Other long term liabilities		(26,077)	(28,780)	(28,780)	(28,780)
Net Assets		111,474	90,885	54,617	28,918
<b>CASH FLOW</b>					
Operating Cash Flow		(27,862)	(26,689)	(35,472)	(24,578)
Net Interest		558	1,997	861	264
Tax		0	0	0	0
Capex		(838)	(1,782)	(150)	(150)
Acquisitions/disposals		(5,186)	(1,561)	0	0
Financing		109,155	0	0	0
Dividends		0	0	0	0
Other		(3,287)	3,109	(1,249)	(1,249)
Net Cash Flow		72,540	(24,926)	(36,010)	(25,713)
Opening net debt/(cash)		(16,078)	(96,131)	(73,406)	(38,504)
HP finance leases initiated		0	0	0	0
Loan and finance movements		7,513	2,201	1,108	1,380
Closing net debt/(cash)		(96,131)	(73,406)	(38,504)	(14,171)

Source: Edison Investment Research estimates, Celyad reports and announcements

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. [www.edisongroup.com](http://www.edisongroup.com)

#### DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Celyad and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2017. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE data are permitted without FTSE's express written consent.