

ReNeuron Group

Zero overhang

Shareholder update

Pharma & biotech

10 February 2020

Price 150p

Market cap £47m

\$1.32/£

Cash (£m) at 30 September 2019 21.3

Shares in issue 31.6m

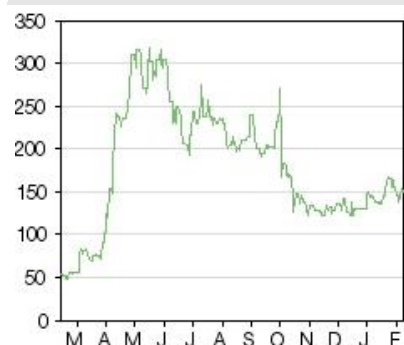
Free float 99.7%

Code RENE

Primary exchange LSE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 6.0 17.7 165.5

Rel (local) 7.5 15.6 148.4

52-week high/low 325.00p 47.50p

Business description

ReNeuron Group is a UK biotech company developing allogeneic cell therapies. The first pivotal Phase IIb trial for CTX neural stem cells for chronic stroke disability is underway. Human retinal progenitor cells are also being studied for RP (in Phase I/IIa).

Next events

Further hRPC Phase I/IIa data Ongoing

Chronic stroke US Phase IIb study Mid-2021 readout

FY20 results July 2020

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ReNeuron Group is a research client of Edison Investment Research Limited

The last 16.42% of the former Woodford stake in ReNeuron has now been sold to Obotritia Capital. The rest of the former Woodford stake, 16.58%, is now managed by Schroders in an investment trust. Removing the 16.42% overhang should help the shares to stabilise and recover. Clinically, ReNeuron aims to present more retinitis pigmentosa eye data during 2020 adding to the strong initial data. Stroke data from the CTX PISCES III trial are expected around mid-2021. We value ReNeuron at £197m, unchanged.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/18	0.9	(21.0)	(55.66)	0.0	N/A	N/A
03/19	2.7	(17.2)	(45.34)	0.0	N/A	N/A
03/20e	6.1	(22.8)	(60.33)	0.0	N/A	N/A
03/21e	3.1	(30.8)	(83.69)	0.0	N/A	N/A

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

Woodford's shares now held in Germany

By mid-2019, Woodford Investment Management held 32.99% of ReNeuron split over two funds. On 17 October, 16.42% from one fund was transferred to Link Solutions. The 16.58% in the other fund was transferred on 16 December 2019 to an investment trust managed by Schroder Investment Management. The Link holding has been sold to the private German investment firm Obotritia Capital. Obotritia states ([website](#)) that it invests in real estate, venture capital, financial services and other corporate opportunities. The crucial factor is that these shares have ceased to overhang the market.

hRPC cell-based therapy might treat any RP patient

Retinitis pigmentosa (RP) is an inherited, degenerative eye disease caused by one of more than 100 different gene mutations. ReNeuron's human retinal progenitor cell (hRPC) therapy is cell-based and not mutation specific, so it could potentially treat any RP patient. The dataset for hRPC is currently eight patients, all of whom had at least three months of follow-up (data presented at the 2019 American Academy of Ophthalmology Meeting). The overall result was confounded by two patients who had surgery-related adverse events leading to vision loss. The other six patients had a mean ETDRS [visual acuity](#) improvement of 17.8 in the treated eye vs 8.3 in the untreated eye.

Valuation: £197m with cash into 2021

ReNeuron recorded a net loss of £3.9m in H120. Cash and equivalents on 30 September were £21.3m, providing funding into 2021. We retain our indicative value of £197m or 624p per share. This uses a 25% probability of success for hRPC. It is possible that hRPC could become the major valuation contributor as more data emerge over 2020, and its positioning against gene therapy products and path to FDA review become clearer. The CTX stroke indication is a major unmet need, but the current PISCES III trial cannot produce data before mid-2021, our expected launch window as from 2024 onwards is unchanged.

Exhibit 1: Financial summary

	£'000s	2018	2019	2020e	2021e
Year end 31 March		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		897	2,720	6,094	3,094
Cost of Sales		0	0	0	0
Gross Profit		897	2,720	6,094	3,094
R&D expenses		(16,657)	(16,240)	(24,685)	(28,634)
SG&A expenses		(4,616)	(4,779)	(5,078)	(5,586)
EBITDA		(20,222)	(17,915)	(23,448)	(30,965)
Operating Profit (before amort. and except.)		(20,376)	(18,299)	(23,575)	(31,032)
Intangible Amortisation		0	0	0	0
Exceptionals		0	0	0	0
Operating Profit		(20,376)	(18,299)	(23,575)	(31,032)
Other		0	0	0	0
Net Interest		(591)	1,064	792	240
Profit Before Tax (norm)		(20,967)	(17,235)	(22,783)	(30,792)
Profit Before Tax (FRS 3)		(20,967)	(17,235)	(22,783)	(30,792)
Tax		3,352	2,887	3,579	4,152
Profit After Tax (norm)		(17,615)	(14,348)	(19,204)	(26,640)
Profit After Tax (FRS 3)		(17,615)	(14,348)	(19,204)	(26,640)
Average Number of Shares Outstanding (m)		31.6	31.6	31.8	31.8
EPS - normalised (p)		(55.66)	(45.34)	(60.33)	(83.69)
EPS - FRS 3 (p)		(55.66)	(45.34)	(60.33)	(83.69)
Dividend per share (p)		0.0	0.0	0.0	0.0
BALANCE SHEET					
Fixed Assets		912	1,522	1,682	1,959
Intangible Assets		186	186	186	186
Tangible Assets		726	632	792	1,069
Other		0	704	704	704
Current Assets		41,706	29,988	11,684	15,849
Stocks		0	0	0	0
Debtors		1,285	834	834	834
Cash and deposits		37,411	26,386	8,082	12,247
Other		3,010	2,768	2,768	2,768
Current Liabilities		(5,949)	(7,402)	(7,402)	(7,402)
Creditors		(5,949)	(7,261)	(7,261)	(7,261)
Short term borrowings		0	0	0	0
Short term leases		0	(141)	(141)	(141)
Other		0	0	0	0
Long Term Liabilities		0	(864)	(864)	(30,864)
Long term borrowings		0	0	0	(30,000)
Long term leases		0	0	0	0
Other long term liabilities		0	0	0	0
Net Assets		36,669	24,108	5,965	(19,593)
CASH FLOW					
Operating Cash Flow		(14,887)	(11,947)	(18,808)	(25,733)
Net Interest		383	342	792	242
Tax		0	0	0	0
Capex		(235)	(239)	(287)	(344)
Acquisitions/disposals		0	0	0	0
Financing		0	0	0	0
Dividends		0	0	0	0
Other		0	0	0	0
Net Cash Flow		(14,739)	(11,844)	(18,304)	(25,835)
Opening net debt/(cash)		(53,061)	(37,411)	(26,380)	(8,076)
HP finance leases initiated		0	0	0	0
Other		(911)	813	0	0
Closing net debt/(cash)		(37,411)	(26,380)	(8,076)	17,759

Source: ReNeuron accounts, Edison Investment Research

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