

Cellular Biomedicine Group

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A transpacific cell therapy company

Cellular Biomedicine Group (CBMG) has seven preclinical CAR-T programs and two Phase I clinical trials using its CD19 CAR-T therapy in China, making it the only US-traded CAR-T company in this market. It has rights to the Dendristim lung cancer vaccine. In addition, it is adapting its osteoarthritis (OA) treatment ReJoin as an allogeneic product, AlloJoin, which will be developed in the US after an IND in 2017 or 2018.

Chinese CAR-T trials ongoing

The company has two ongoing Phase I studies using its CD19 CAR-T therapy for the treatment of diffuse large B-cell lymphoma (DLBCL) and adult acute lymphoblastic leukemia (ALL). None of the major CAR-T developers currently running trials in the US and Europe have initiated studies in China, positioning CBMG as an early entrant into the market. Data are expected for the trials in Q417.

AlloJoin: Off-the-shelf OA cell therapy

AlloJoin is a cell line derived from human adipose-derived mesenchymal progenitor cells. The company's autologous version of these cells (ReJoin) previously showed improvement in cartilage growth ($p=0.007$) in patients with knee OA in an early clinical trial. CBMG is developing AlloJoin as an off-the-shelf version of this product and received a grant of \$2.29m from the California Institute for Regenerative Medicine to support US development. The interim results from the Phase I trial ($n=18$) reported no serious adverse events and the most common adverse events were pain (77%) and swelling (52%). The trial is expected to be complete in Q317.

Chinese GMP cell production

One of the unique strengths of the company is its efficient manufacturing. It has three GMP-certified facilities in China, with significantly improved production costs compared to US facilities. CBMG estimates it can provide 10,000 doses of cells per year for the Chinese market (export of human cells from China is highly restricted). This capacity has recently attracted a partnership with GE Healthcare Life Science China to develop control processes for cell manufacturing.

Valuation: EV of \$129m and financed through 2018

CBMG ended 2016 with \$39m in cash, which we expect to provide a runway through the current CAR-T trials and the AlloJoin US trial. In our view, the EV of \$129m is modest considering the company's first mover advantage into the Chinese immune-oncology space and the tissue regeneration seen with ReJoin.

Consensus estimates

Year end	Revenue (\$m)	PBT (\$m)	EPS (\$)	DPS (\$)	P/E (x)	Yield (%)
12/15	2.5	(20.2)	(1.69)	0.0	N/A	N/A
12/16	0.6	(28.2)	(1.87)	0.0	N/A	N/A
12/17e	N/A	(26.5)	(1.85)	0.0	N/A	N/A
12/18e	N/A	(29.9)	(1.88)	0.0	N/A	N/A

Source: Bloomberg

Price **\$11.00**
Market cap **\$157m**

Share price graph



Share details

Code CBMG
Listing NASDAQ
Shares in issue 14.3m

Business description

Cellular Biomedicine Group (CBMG) is a biotechnology company developing cell based therapeutics with operations primarily in China. It has completed Phase II clinical trials of ReJoin, an autologous progenitor cell therapy for osteoarthritis, and it is developing a similar allogeneic product (AlloJoin). The company has also developed a CD19 CAR-T, which is currently in Phase I testing in China.

Bull

- Early entrant into the Chinese CAR-T space.
- Three high-margin Chinese production facilities.
- Cartilage regeneration seen with ReJoin.

Bear

- No significant approvable data for any product yet.
- Most products are early stage with long development timelines.
- Additional financing needed to reach approval.

Analysts

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