

ReNeuron Group

H123 results

Pushing on with CustomEx in H123

With its [H123 interim results](#), ReNeuron highlighted progress across its proprietary exosome platform, CustomEx. The company reported H123 revenues of £438k (H122: £58k), primarily related to income associated with a £320k payment from Fosun Pharma as part of a technology transfer and supply [agreement](#). ReNeuron pared back its operating losses (£4.3m in H123, down from £6.1m in H122), largely with reduced clinical trial-related costs following the company's strategic refocus on exosomes. ReNeuron closed the half year with a gross cash position, including bank deposits, of £10.5m, which, given the company's current cash burn rate and our projections, is anticipated to fund operations into Q4 CY23. We value ReNeuron at £44.2m or 77p per share.

| Year end | Revenue (£m) | PBT* (£m) | EPS* (£) | DPS (£) | P/E (x) | Yield (%) |
|----------|--------------|-----------|----------|---------|---------|-----------|
| 03/21 | 0.3 | (13.4) | (0.29) | 0.0 | N/A | N/A |
| 03/22 | 0.4 | (11.1) | (0.17) | 0.0 | N/A | N/A |
| 03/23e | 0.8 | (8.9) | (0.13) | 0.0 | N/A | N/A |
| 03/24e | 0.9 | (9.6) | (0.14) | 0.0 | N/A | N/A |

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

Encouraging pre-clinical data for CustomEx

In [October 2022](#), ReNeuron presented encouraging pre-clinical data highlighting the enhanced drug delivery capability of its CustomEx platform over conventional human embryonic kidney-derived (HEK) exosomes. Notable results included a minimum 10-fold increase in cellular uptake across three cell types compared to HEK-derived exosomes and a 600% improvement in delivery of siRNA. In our view, this provides encouraging signs for the clinical progression of ReNeuron's exosomes, and potential market differentiation against HEK competitors.

Funding into Q4 CY23

Based on the unfavourable macroeconomic conditions, the board has concluded that it will not be possible to complete an equity raise at the current time. Instead, the company intends to focus on cost deferral initiatives that include deferred programme expenses to extend the cash runway into Q4 CY23 (previously Q2 CY23). Management does not expect these initiatives to affect the company's commercial activities and it estimates that the signing of new partner contracts may further extend the current runway into CY24. ReNeuron's stock dropped c 35% in the two trading days following the half-year results, which likely reflects market uncertainty with regards to the company's capability to raise capital.

Valuation: £44.2m or 77p per share

We value ReNeuron at £44.2m or 77p (previously £47.3m or 83p per share). Our valuation has been affected by rolling our model forward and updating our exchange rate assumption to US\$1.23/£ (from £/US\$1.11/£), which itself had an impact of c 8% on our risk-adjusted net present value. We have revised our FY23 estimates, but our underlying long-term assumptions remain unchanged.

Pharma and biotech

6 December 2022

Price **15p**
Market cap **£8m**

US\$1.23/£

Gross cash (£m) 30 September 2022 10.5

Shares in issue 57.1m

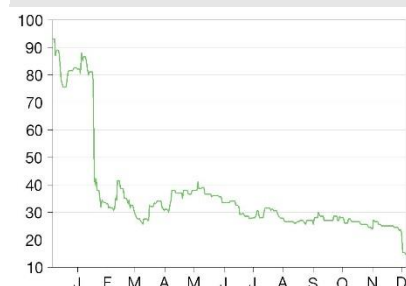
Free float 99.7%

Code RENE

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (45.3) (48.8) (84.5)

Rel (local) (47.5) (50.1) (84.8)

52-week high/low 93p 15p

Business description

ReNeuron Group is a UK biotech focused on the development of its stem cell-derived exosome drug delivery platform (CustomEx). The company operates as a contract research and development organisation and has established partners that are progressing the preclinical development of exosome-based therapeutics, utilising ReNeuron's CustomEx technology.

Next events

Expansion of exosome partnerships FY24

Fosun CTX manufacturing initiated FY24

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Financials

As a result of ReNeuron's [strategic refocus](#), the company reported research and development (R&D) expenses for H123 of £3.0m (R&D expenses H122: £4.3m). We have updated our full year estimates and now expect total FY23 operating expenses of £9.7m (previously £11.9m), including R&D expenses of £6.0m (previously £8.1m). We estimate FY23 and FY24 free cash outflows of c £9.1m (previously £11.7m) and £9.4m (previously £10.5m), respectively, with the increased cash burn in FY23 associated with adverse working capital movement (H123 saw a £0.5m increase in working capital, while H122 had a £0.9m reduction). At end-September 2022, ReNeuron reported a gross cash position of £10.5m. Based on our estimated annual cash burn of c £9.1m in FY23 and £9.4m in FY24, we estimate the company is funded into Q4 CY23. However, we believe ReNeuron will need to raise c £15m in FY24 to fund operations into mid FY25, at which point we have assumed in our model that the company will secure a global licensing deal.

Exhibit 1: Financial summary

| Accounts: IFRS; year end 31 March; £000s | 2021 | 2022 | 2023e | 2024e |
|---|----------|----------|---------|----------|
| PROFIT & LOSS | | | | |
| Total revenues | 335 | 403 | 799 | 906 |
| Cost of sales | 0 | 0 | 0 | 0 |
| Gross profit | 335 | 403 | 799 | 906 |
| Total operating expenses | (13,249) | (11,631) | (9,713) | (10,512) |
| Research and development expenses | (9,503) | (8,068) | (6,272) | (6,899) |
| SG&A | (3,746) | (3,563) | (3,441) | (3,613) |
| Operating income (reported) | (12,914) | (11,228) | (8,914) | (9,606) |
| Finance income/(expense) | (496) | 170 | 50 | 10 |
| Exceptionals and adjustments | 0 | 0 | 0 | 0 |
| Profit before tax (reported) | (13,410) | (11,058) | (8,864) | (9,596) |
| Profit before tax (normalised) | (13,410) | (11,058) | (8,864) | (9,596) |
| Income tax expense (includes exceptionals) | 2,063 | 1,369 | 1,285 | 1,391 |
| Net income (reported) | (11,347) | (9,689) | (7,578) | (8,205) |
| Net income (normalised) | (11,347) | (9,689) | (7,578) | (8,205) |
| Basic average number of shares, m | 39.1 | 57.0 | 57.1 | 57.1 |
| Basic EPS (£) | (0.29) | (0.17) | (0.13) | (0.14) |
| Adjusted EPS (£) | (0.29) | (0.17) | (0.13) | (0.14) |
| Dividend per share (£) | 0.00 | 0.00 | 0.00 | 0.00 |
| BALANCE SHEET | | | | |
| Tangible assets | 213 | 288 | 250 | 167 |
| Intangible assets | 186 | 186 | 186 | 186 |
| Right-of-use assets | 473 | 373 | 298 | 239 |
| Other non-current assets | 0 | 0 | 0 | 0 |
| Total non-current assets | 872 | 847 | 735 | 592 |
| Cash and equivalents | 22,203 | 14,548 | 5,328 | 10,780 |
| Current tax receivables | 1,832 | 1,392 | 1,285 | 1,391 |
| Trade and other receivables | 444 | 536 | 563 | 591 |
| Other current assets | 0 | 0 | 0 | 0 |
| Total current assets | 24,479 | 16,476 | 7,176 | 12,762 |
| Non-current loans and borrowings | 0 | 0 | 0 | 0 |
| Non-current lease liabilities | 562 | 416 | 254 | 106 |
| Long term debt | 0 | 0 | 0 | 15,000 |
| Total non-current liabilities | 562 | 416 | 254 | 15,106 |
| Accounts payable | 5,727 | 6,873 | 4,811 | 3,608 |
| Illustrative debt | 0 | 0 | 0 | 0 |
| Current lease obligations | 157 | 146 | 165 | 165 |
| Other current liabilities | 0 | 0 | 0 | 0 |
| Total current liabilities | 5,884 | 7,019 | 4,976 | 3,773 |
| Equity attributable to company | 18,905 | 9,888 | 2,680 | (5,525) |
| | 0 | 0 | 0 | 0 |
| CASH FLOW STATEMENT | | | | |
| Operating income | (12,914) | (11,228) | (8,914) | (9,606) |
| Depreciation and amortisation | 380 | 324 | 412 | 442 |
| Share based payments | 764 | 649 | 370 | 0 |
| Other adjustments | 6,025 | 1,788 | 1,392 | 1,285 |
| Movements in working capital | (307) | 1,056 | (2,089) | (1,231) |
| Cash from operations (CFO) | (6,052) | (7,411) | (8,828) | (9,109) |
| Capex | (25) | (302) | (300) | (300) |
| Acquisitions & disposals net | 0 | 0 | 0 | 0 |
| Other investing activities | 27 | 26 | 73 | 27 |
| Cash used in investing activities (CFIA) | 2 | (276) | (227) | (273) |
| Capital changes | 16,265 | 23 | 0 | 0 |
| Debt Changes | (154) | (157) | (165) | (165) |
| Other financing activities | (7,500) | 2,500 | 5,000 | 0 |
| Illustrative Debt | 0 | 0 | 0 | 15,000 |
| Cash from financing activities (CFF) | 8,611 | 2,366 | 4,835 | 14,835 |
| Cash and equivalents at beginning of period | 12,625 | 14,703 | 9,548 | 5,328 |
| Increase/(decrease) in cash and equivalents | 2,561 | (5,321) | (4,220) | 5,452 |
| Effect of FX on cash and equivalents | (483) | 166 | 0 | 0 |
| Cash and equivalents at end of period | 14,703 | 9,548 | 5,328 | 10,780 |
| Net cash (debt) | 14,703 | 9,548 | 5,328 | (4,220) |

Source: Edison Investment Research, ReNeuron accounts

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