

Transgene S.A.

Restructuring to focus on R&D

Transgene is a biopharmaceutical company focused on the discovery, development and manufacture of immunotherapies for the treatment of cancer and infectious diseases. Its pipeline includes two Phase III-ready candidates, TG4010 (lung cancer) and Pexa-Vec (liver cancer), and TG1050 (hepatitis B), which is due to start Phase I in Q415. In June, Transgene announced a restructuring programme to focus the business on R&D, with plans to close its pharmaceutical development and bio-manufacturing capabilities (c €1.7m of revenue in 2014). Our valuation and financials are under review, pending further details.

Multiple clinical trials planned

The first patient is expected to be dosed in the Phase I trial of TG1050 for the treatment of chronic HBV in Q415. In addition to this, the Phase III trial of the oncolytic virus Pexa-Vec is also expected to be initiated in Q415. Transgene and its partner SillaJen have an SPA with the FDA for the design of the Phase III study in first-line hepatocellular carcinoma (HCC). While a Phase III trial of TG4010 in non-squamous non-small cell lung cancer (NSCLC) remains on hold until a partner is found, Phase II studies of TG4010 in combination with checkpoint inhibitors are planned, and should begin by the end of H116.

TG4010 combination trials could trigger partnership

A licensing deal could be triggered by evidence of synergistic action of TG4010 with checkpoint inhibitors in the planned Phase II trials. The trials will build on the Phase IIb stage of the TIME trial in non-squamous NSCLC, which demonstrated a significant overall survival benefit of 3.8 months versus chemotherapy alone; this improved to 4.9 months in those patients with low TrPAL biomarker expression.

Short-term costs for long-term gain

The closure of the standalone pharmaceutical development and bio-manufacturing business will affect c 120 personnel. Transgene plans to provide a strategic update once approval from French authorities is received. We expect that the initial costs of restructuring and loss of revenues will be justified by longer-term cost savings.

Valuation: Under review

Our valuation and financials are under review while we await the strategic business update (expected by end-2015). As TG4010 forms the bulk of our valuation, any delay to its development timeline will have a material impact on our valuation.

Edison estimates

| Year end | Revenue (€m) | PBT (€m) | EPS (c) | DPS (c) | P/E (x) | Yield (%) |
|----------|--------------|----------|---------|---------|---------|-----------|
| 12/13 | 15.7 | (41.5) | (136.2) | 0.0 | N/A | N/A |
| 12/14 | 11.8 | (47.3) | (127.2) | 0.0 | N/A | N/A |
| 12/15e | N/A | N/A | N/A | N/A | N/A | N/A |

Source: Transgene, Edison Investment Research

Pharma & biotech

Price €2.85

Market cap €110m

Share price graph



Share details

| | |
|------------------------------------|-------|
| Code | TNG |
| Shares in issue | 38.5m |
| Net cash (€m) at 30 September 2015 | 46 |

Business description

Transgene is a French drug discovery and development company focused on the treatment of cancer and infectious diseases with immunotherapies. It has two Phase III-ready products and one product in Phase I in development.

Bull

- Significant overall survival advantage demonstrated with TG4010 in TIME trial.
- Potential for combination therapies for the treatment of cancer increasingly recognised.
- Cancer immunotherapy a multibillion-dollar market.

Bear

- Initiation of Phase III trial of TG4010 dependent on securing a partner.
- Additional capital will be required to complete clinical trials in absence of partnership.
- Partner not secured for TG4010 on the back of Phase II data.

Analysts

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