EDISON

QuickView

MedinCell

Pharma & biotech

20 December 2018

Long-acting injectable drug delivery vehicle

MedinCell is developing long-acting injectable (LAI) products using its proprietary BEPO copolymer technology with active pharmaceutical ingredients (APIs) for optimal drug delivery. Partnered with Teva, MedinCell is developing three CNS products, the most advanced of which is a two-month subcutaneous (SC) risperidone LAI in Phase III for schizophrenia, with interim data expected in H219. MedinCell is also working with the Arthritis Innovation Corporation (AIC) on a celecoxib LAI for post-surgical pain and inflammation in Phase II, with data expected in summer 2019.

Targeting schizophrenia with Teva

Schizophrenia is a severe mental illness that requires a strict drug regimen. Other intramuscular LAIs have been developed to combat non-adherence including Otsuka's Abilify Maintena (FY17 sales: $632m) as well as Janssen's Risperdal Consta ($805m) and Invega franchise ($2,569m). Interestingly, a UCLA study found that psychotic relapse was significantly lower for Risperdal Consta (intramuscular risperidone) versus oral risperidone (p<0.004) and that treatment with the LAI led to significantly improved medication adherence over oral (p<0.001). MedinCell is developing mdc-IRM as a ready-to-use (ie does not require reconstitution or dosing initiation regimen) two-month SC LAI formulation of risperidone, which may increase compliance and can potentially reduce morbidity and costs of care. Interim data from its 596-patient Phase III trial are expected to read out in H219, with full data in H120. Teva is responsible for all development costs and MedinCell is entitled to up to $366m in milestones (for all three CNS programs partnered with Teva) and high single-digit royalties on tiered net sales.

Post-op pain management and pipeline expansion

MedinCell is also developing mdc-CWM, a celecoxib LAI for pain and inflammation following total knee replacement surgery. The 50-patient Phase II trial is expected to read out this summer. AIC is responsible for all development costs with 50/50 profit sharing. In addition to three products in development, MedinCell has seven early-stage programs covering a wide range of indications including contraception (partnered with the Gates Foundation), organ transplant, pain, depression and schizophrenia.

Valuation: EV of c €130m post-IPO

MedinCell's enterprise value is c €130m following its €31.4m IPO in October 2018. The company intends to use the proceeds to expand and further develop its proprietary product portfolio and accelerate its technology platform, where we see future upside potential.

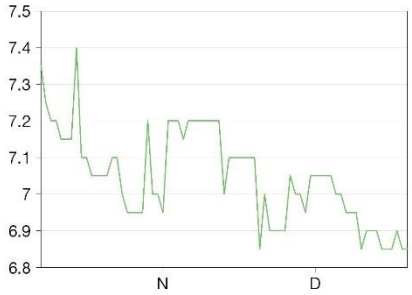
Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
03/17	9.95	(4.89)	(0.25)	0.0	N/A	N/A
03/18	8.30	(9.22)	(0.66)	0.0	N/A	N/A
03/19e	1.40	(-17.40)	(0.87)	0.0	N/A	N/A
03/20e	3.00	(-17.00)	(0.85)	0.0	N/A	N/A

Source: Bloomberg

Price	€6.85
Market cap	€138m

Share price graph



Share details

Code	MEDCL
Listing	Euronext Paris
Shares in issue	20.1m

Business description

MedinCell is a pharmaceutical company developing long-acting injectable products by integrating its proprietary BEPO copolymer technology with marketed active pharmaceutical ingredients to optimise drug delivery for several indications. MedinCell has three products in development with seven additional products in early-stage formulation. Its two most advanced programs in schizophrenia and post-operative pain and inflammation are currently in Phase III and Phase II trials, respectively.

Bull

- Phase III and Phase II programs are in large indications with significant potential.
- BEPO technology platform is validated by the partnership with Teva.
- Portfolio of APIs have demonstrated efficacy across a broad range of indications.

Bear

- Several large pharma players with marketed LAIs for schizophrenia.
- Navigating the FDA pain division may pose a challenge.
- Not in full control of clinical development due to partnerships in most advanced programs.

Analysts

Maxim Jacobs +1 646 653 7027

Briana Warschun +1 646 653 7031

healthcare@edisongroup.com

EDISON

General disclaimer and copyright

This report has been prepared and issued by Edison. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: 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 and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Edison analyst at the time of publication. 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.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, 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 securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. 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, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

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. 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 (i.e. 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.

United Kingdom

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document (nor will such persons be able to purchase shares in the placing).

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison 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. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
295 Madison Avenue, 18th Floor
10017, New York
US

Sydney +61 (0)2 8249 8342
Level 12, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia