ReNeuron Group plc

9 December 2019

Encouragement from interims

After a momentous year for ReNeuron catalysed by the clinical results from their hRPC program for retinitis pigmentosa (RP), the H1'20 financial results brought the year to a positive close. A strong cash position enables the expansion of both of its clinical programs and notably the scale of the hRPC program has been expanded in order to accelerate the product's regulatory approval. Further clinical data on the hRPC program is expected in 2020 before the first pivotal study on the CTX program in chronic stroke reads-out in H1'21.

H1'20 financials: strong cash balance

ReNeuron ended H1'20 with a cash balance of £21.3m (£26.4m at YE'19). Bearing in mind its two ongoing clinical programs, this is efficient budgeting. The announcement that both clinical programs are now being expanded, suggests that some cost acceleration in H2'20 is to be expected. ReNeuron's net loss in H1'20 was £3.9m (£5.4m in H1'19) with R&D expenses of £9.2m, which increased from £7.5m in H1'19, rightly comprising the majority of the £11.8m total operational spend (£10.1m in H1'19). General and administrative expenses were flat at £2.6m, despite the increased business development activity that generated the exciting **Fosun** agreement. Finance income, which included FX gains from the strong US dollar, was slightly down to £0.6m from £0.9m in H1'19. The £0.4m increase in R&D tax credit to £1.9m was offset by a £0.6m increase in overseas taxes paid. Cash consumed from operations declined by £2.39m y-o-y to £5.2m partly reflecting the upfront payment associated with the Fosun licensing agreement.

Pipeline promotion

ReNeuron noted in the H1'19 announcement that their focus was being shared between the CTX neural stem cell product for chronic stroke in a pivotal Phase II study, and the Phase I/IIa study of their human retinal progenitor cell (hRPC) product for RP. With the startling, but early, data in RP patients, first announced in early 2019, and the deferral of the results in the CTX product until H1'21, the former second product in ReNeuron's pipeline has been promoted to premier position in terms of investor attention, clinical trial results announcements and partnering potential. This was reinforced in their H1'20 results' announcement with the expansion of the hRPC Phase IIa program to allow for subsequent single pivotal study that would accelerate the time to regulatory approval.

Still partnering to play for (outside China)

After a year dominated by early positive clinical trial results for the hRPC product and an associated YTD 180% share price increase, investors may have forgotten that 2019 also saw the broad partnership signed with Fosun Pharma. That deal encompasses both hRPC and CTX products for the Chinese market worth up to £80m in upfront, and milestone payments plus attractive double-digit percentage royalties.

Next year, the maturing of the hRPC product is likely to be the catalyst for additional (probably regional) transactional activity for ReNeuron.

Company Data

EPIC	RENE
Price	141p
52 week Hi/Lo	342p / 47p
Market cap	£45m
Proforma cash Sep. '19	£21.3m
Avg. daily volume	115,440

Share Price, p

Source: ADVFN

Description

ReNeuron Group plc is an AIM listed biotechnology company developing allogeneic cell therapies. Its first product is the CTX neural stem cell therapy for the treatment of chronic stroke disability with results expected in H1 2021. Its second product is human retinal progenitor cells (hRPCs) which are being studied for RP in a Phase I/IIa study.

Both of ReNeuron's clinical studies are being conducted in the US. ReNeuron's exosome platform is expected to be a source of technology licensing transactions.

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