

NEOVACS (+)

Attractive despite the lack of short-term catalysts

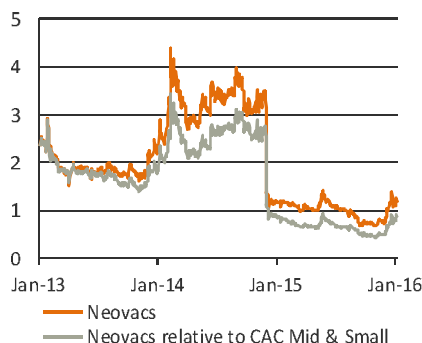
Opinion	BUY
Target price	1,8€ vs 1,1€
Potential	+53%

in € / share	2014	2015e	2016e	2017e
diluted EPS	-0,33	-0,26	-0,08	-0,09
Chg 1 year	-4,1%	-22,1%	-70,0%	+20,3%
Revisions	n.a.	n.a.	n.a.	n.a.

ISIN	FR0004032746
Ticker	ALNEV-FR
DJ sector	Health Technology

Price (10/02/14)	€1,2
Nb of shares (m)	30,0
diluted nb of shares (m)	35,4
Market cap (m€)	35
Float (m€)	28

	1m	3m	1 year
Absolute chg	+34,1%	+57,3%	+0,9%
Relative chg	+41,9%	+64,1%	-1,2%



12/31/2013	2014	2015e	2016e	2017e
PE	n.a.	n.a.	n.a.	n.a.
EV/CA	n.a.	28,86x	5,55x	7,93x
EV/EBITDA	n.a.	n.a.	n.a.	n.a.
EV/EBITA	n.a.	n.a.	n.a.	n.a.
FCF yield	-14,7%	-29,1%	-13,7%	-15,5%
Yield	0,0%	0,0%	0,0%	0,0%
Net debt/EBIT	n.a.	n.a.	n.a.	n.a.

* Operating FCF related to Enterprise Value

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The pressure on Neovacs' share price in H2 2015 has resulted in upside potential of over +53%. The phase IIb study of its IFN α -Kinoïd has just begun in Europe, Asia and Latin America, with results expected at the beginning of 2017. Despite the absence of short-term momentum, we believe that the current share price is low and therefore constitutes a genuine long-term opportunity. We are maintaining our BUY rating.

- The focus in 2016 will be the development of Neovacs' IFN α -Kinoïd in the treatment of lupus, for which the first phase IIb study was launched in Europe and Latin America a few weeks ago. This study will be supplemented by a specific trial in the United States this year.
- The lupus market should grow strong in value terms over the coming years and reach around \$4bn in 2022 vs. \$900m in 2012. Lupus is a chronic auto-immune disease in which auto-antibodies attack the patient's own organs. The disease is characterised by attacks on different parts of the body, particularly the skin and joints. However, vital organs can also be attacked in certain cases. Nevertheless, while all the organs can be affected, the principal symptoms remain arthritic, kidney and blood problems. With a prevalence of 40 / 100,000 and with women suffering significantly more than men, there are approximately six million cases of lupus worldwide, including 1.5 million in the United States. The 15-year survival rate is estimated at 80%.
- GSK's Benlysta has been the only therapeutic innovation in this disease in numerous years. The current therapeutic strategy consists in controlling the symptoms of lupus and preventing flare-ups through corticosteroids and immunosuppressors. There is consequently a genuine commercial potential in this indication for a new competing drug offering higher effectiveness than Benlysta.
- Given the initial phase I/II results announced by Neovacs, anti-IFN α antibodies linked to the administration of IFN α -Kinoïd show action on several markers of the disease. If the phase II results for the drug prove positive, IFN α -Kinoïd could find a place on this market. Note however that Neovacs will not be the first entrant potentially entering into competition with Anthera's drug or AZN's anifroluzumab. We are also waiting for the results of Merck's ataccept in this indication this year.
- In this context, we anticipate new regional partnerships along the lines of the partnership in Korea. Note that Neovacs signed an exclusive licence contract last December with Chong Kun Dang Pharmaceuticals (CKD), a company specialising in immunosuppressors. The challenge is to file a registration application for the drug at the end of 2017 following the results of the phase II study currently underway including five study sites in Korea. These results are expected at the beginning of 2017.
- We apply a conservative probability of success of 20% to Neovacs' drug. We assume a sale price of €17,000, but with a slower launch than initially anticipated. Our target price is €1.8 per share based on the NPV method. At the beginning of this year, the company secured €5m of financing over 4 years with BPI France (public financing). Even if the company does not want to use 100% of its equity line, we have included all of this line in our valuation as a precaution. Despite the lack of significant short-term catalysts, we believe that the pressure on the share price over recent weeks has now given rise to a good BUY opportunity.

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