


12 October 16
Price: €6,3
Target price: €9,7
STRONG BUY (1)

Opinion unchanged

1: Strong Buy 2: Buy 3: Hold 4: Underperform 5: Sell

Read across / congress

Market	Euronext - Comp. C
ISIN	FR0012127173 / OSE
Reuters / Bloomberg	OSE.PA / OSE.FP
Indice	CAC Small
PEA-PME eligibility	Yes
Market cap.	89,2
Float (%)	45,9%
Number of share (M)	14,251
Closing date	31-Dec

The lung cancer battle

The closing of the European Society for Medical Oncology (ESMO) marks the completion of a major meeting in the biopharmaceutical field and particularly oncology. This year, ESMO was the opportunity for numerous companies to show their results and most notably on advanced non-small cell lung cancer (NSCLC). These results are released weeks before the World Conference on Lung Cancer which will take place in Vienna in early December 2016 and where OSE Immunotherapeutics will present the phase III study design for Tedopi.

A war of giants

During this meeting, the battle took place between three big biopharmaceutical companies: Roche, Merck and Bristol-Meyers Squibb (BMS) – all three presenting results on first generation Immune Checkpoints Inhibitors (ICI) that are already approved for other indications.

Roche presented results on Tecentriq and demonstrated that the product reached its primary endpoint during phase III. In this case, the product was used as a second or third line of treatment (that is, after the failure of at least one drug). Tecentriq aims at PD-L1 protein and was the first ICI approved for this target. However, PD-L1 level of expression was not a crucial factor for the use of Tecentriq in this case. Tecentriq showed an increase in overall survival (OS) of 4 additional months (13.8 vs 9.6 months). The numbers on the Progression Free Survival (PFS) would be more interesting as they would give a better comparison basis between the different studies.

Merck Keytruda was tested as a first line treatment vs chemotherapy. It was showed that Keytruda increased the median PFS to 10.3 months vs 6 months with chemotherapy. Considering OS, it reached 18 months with Keytruda vs 16 months with chemotherapy. In this case, the main target of the product is also PD-L1 although only patients with high expression of PD-L1 were hereby considered, conversely to the previous study.

Lastly, BMS Opdivo demonstrated similar results as the use of chemotherapy in a first line of treatment approach. As a consequence, the product is in a similar situation as what is currently available to treat NSCLC. In that sense and considering its current price, there is only a low probability that it will become an economically viable option for NSCLC. In the race for the treatment of NSCLC, BMS thus seems in the very last position.

The Rooky

Coming back to OSE, results from Tedopi phase II demonstrated an increase in median OS of 5.3 months and median PFS of 9.4 months – a bit less than what was observed with Keytruda. In this case, the product was used after at least a first line of treatment. Also note that only patients expressing the HLA-A2 protein are subject to its use (45% of the overall population).

In summary, results from the three companies demonstrate that OSE Immunotherapeutics is still in the race with clinical results close to what was obtained with ICI. These results also show that NSCLC is a hard-to-treat cancer. Tedopi phase III results are awaited for 2018 and will allow a better understanding of the product potential. It will also permit market share stratification depending on 1 / the products and their therapeutic effect and 2 / patient classification based on protein expression.

	15	16e	17e
Free Cash Flow	-10,9	2,1	-0,5
Financial inv.	19,1	0,9	-0,5
Capital increase	0,2	0	0
Cash var.	8,2	-1	1,1
Net cash	9,3	8,3	9,5
Net cash/share	0,93	0,58	0,66
Revenue	0	0	0
EBIT	-5,4	21,7	4,9
%Rev	ns	ns	ns
Net group results	-5,6	23,8	6,9
%Rev	ns	ns	ns

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Warnings

All warnings regarding research carried out by Portzamparc (transparency commitment, policy on managing conflicts of interest, recommendation system, share per recommendation) can be accessed at www.midcaps.portzamparc.fr/ (for institutional clients) or from your usual advisor (for private clients).

Closing prices for the previous day are used unless stated otherwise.

History of changes to recommendations on the security in the past 12 months

Date	New recommendation	Old recommendation
06 July 2016	Strong Buy	

Questionnaire on the transparency commitment regarding potential conflicts of interest

Analysts personal interests	Conflict of interest between Portzamparc and the Issuer	Financial interest Portzamparc/Issuer	Liquidity contract	Investment service	Other conflict of interest	Study submitted to the issuer	Findings changed
NO	NO	NO	NO	YES	NO	NO	NO

Source: Portzamparc

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