

# StemCells Inc

**Pharma & biotech**
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## Data and progress expected in 2014

With plans to open more clinical sites to enrol patients in two upcoming Phase II trials, StemCells moves closer to demonstrate proof-of-concept (PoC) efficacy of its HuCNS-SC (human neural stem cells) platform in spinal cord injury (SCI) and age-related macular degeneration (AMD). It has enough cash until end 2014, but needs additional funds to reach PoC data release (possibly in 2016/2017), a major inflection point if data are positive.

## Accelerating clinical programmes

StemCells plans to significantly speed up its clinical development programme by opening 20-30 clinical sites to support the upcoming controlled, randomised Phase II PoC trials of SCI and AMD with hard clinical endpoints. It plans to transplant as many patients (c 30) in 2014 as it has since the beginning of the clinical programme in 2006. This has been made possible because of the infusion of c \$46.6m of cash (including debt, equity financing and a research grant) to the company in 2013 and a less stringent regulatory environment in response to the safety data the company has generated in human trials so far. Regulatory restrictions on stem cell studies, due mainly to safety concerns, have been the primary cause of the slow progression of the company's clinical programme.

## Reporting more clinical data

The company will report more clinical data in 2014, including three-year data on four PMD patients (Q214), first patient data on AMD and additional data on SCI (Q214). With accelerated enrolment expected in 2015, PoC data are expected in 2016 or early 2017.

## Enough cash until end of 2014

The company has cash of \$30.5m at the end of January 2014, which should be enough to support the company's operation to the end of 2014, with planned payments from CIRM (California Institute of Regenerative Medicine). Additional funding is needed to reach the next major clinical milestones, reporting Phase II trial results of SCI and AMD, possibly in 2016.

## Valuation: EV of c \$48m

StemCells' EV of c \$48m reflected the market's mixed view on stem cell therapeutics given the lack of proven clinical efficacy of any bona fide products and perceived commercial challenges of cell therapies. This may improve as clinical efficacy data are reported and therapies are commercialised.

### Consensus estimates

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (\$)	DPS (\$)	P/E (x)	Yield (%)
12/12	1.4	(28.5)	(0.99)	0.0	N/A	N/A
12/13	1.2	(26.4)	(0.61)	0.0	N/A	N/A
12/14e	0.9	(28.3)	(0.66)	0.0	N/A	N/A
12/15e	1.0	(29.1)	(0.51)	0.0	N/A	N/A

Source: Bloomberg. Note: \*PBT and EPS excluded extraordinary items.

**StemCells, Inc is a research client of Edison Investment Research Limited**

**Price** **\$1.24**  
**Market cap** **\$68m**

### Share price graph



### Share details

Code **STEM**  
 Listing **NASDAQ**  
 Shares in issue **55.1m**

### Business description

StemCells, Inc. is applying its expertise in stem cell biology to discover, develop and commercialise stem cells-based therapeutics. It is currently developing HuCNS-SC human neural stem cells for spinal cord injury (SCI), Pelizaeus-Merzbacher Disease (PMD) and age-related macular degeneration (AMD). Preclinical programmes include those for Alzheimer's disease and stroke.

### Bull

- Steady stream of clinical data expected over next two years.
- Large body of preclinical work by independent investigators.
- Increasingly receptive regulatory environment.

### Bear

- Limited human clinical efficacy data.
- Long path to efficacy from randomised trials.
- Additional financing needed.

### Analysts

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