

Mereo BioPharma

Accelerated approval path for NAVI

16 July 2019

- Mereo BioPharma has agreed in principle the design of a Phase II study with navicixizumab in advanced ovarian cancer, which could potentially be used for the accelerated approval of the product, with the US FDA in a Type B meeting.
- Navicixizumab is a bispecific antibody that binds to DLL4 and VEGF, which was acquired by Mereo BioPharma during the merger with Oncomed. In a Phase Ib study in combination with paclitaxel in advanced platinum-resistant ovarian cancer, an unconfirmed overall response rate (ORR) of 41% (18/44 patients) was observed.
- The primary endpoint of the trial will be confirmed ORR, and the secondary endpoints will include duration of response, CA-125 response rate, PFS (progression free survival) and OS (overall survival), with the dosing regimen the same as in the current Phase Ib trial.
- There are currently limited treatment options for patients with advanced platinum-resistant ovarian cancer and an estimated 14,000 women will die from ovarian cancer in 2019.
- Mereo BioPharma has commenced partnering activities for navicixizumab.
- There is a contingent value right (CVR) for the former OncoMed shareholders linked to any partnering deal with navicixizumab; 70% of the net proceeds of any cash milestone payments received by Mereo BioPharma for five years post-completion will be received by the CVR holders (subject to a cap of c\$80m), with the balance retained by Mereo BioPharma.

Price (UK share)	45.5p
(US ADS)	\$2.63
Market Cap	£45m
	\$60m
Exchanges	AIM London NASDAQ
Sector	Healthcare
Company Code	MPH.L MREO
Corporate client	Yes

Company description:

Mereo BioPharma develops and commercialises innovative therapeutics addressing rare and specialty diseases. These are acquired or licensed in at clinical stages from large pharmaceutical companies. The portfolio consists of four compounds that are progressing through late clinical development.

Trinity Delta view: The importance of navicixizumab to Mereo BioPharma from a DCF-valuation perspective is limited due to the linked CVR, but a deal would still be valuable to the company as it would strengthen its balance sheet and also demonstrate Mereo BioPharma's ability to out-license assets. The outline of the Phase II design and potential accelerated approval pathway, agreed with the FDA in principle, should facilitate any partnering discussions and increase the likelihood of navicixizumab being out-licensed within the next 12 months.

We value Mereo BioPharma at £541m (\$704m), equivalent to 506p/share or \$25.59/ADS (fully diluted). This is based on the company's four leading assets to be conservative, and excludes any contribution from navicixizumab.

Analysts

Mick Cooper PhD

mcooper@trinitydelta.org
+44 (0) 20 3637 5042

Lala Gregorek

lgregorek@trinitydelta.org
+44 (0) 20 3637 5043

Mick Cooper PhD CFA

mcooper@trinitydelta.org

+44 (0) 20 3637 5042

Lala Gregorek

lgregorek@trinitydelta.org

+44 (0) 20 3637 5043

Franc Gregori

fgregori@trinitydelta.org

+44 (0) 20 3637 5041

Disclaimer

Trinity Delta Research Limited ("TDRL"; firm reference number: 725161), which trades as Trinity Delta, is an appointed representative of Equity Development Limited ("ED"). The contents of this report, which has been prepared by and is the sole responsibility of TDRL, have been reviewed, but not independently verified, by ED which is authorised and regulated by the FCA, and whose reference number is 185325.

ED is acting for TDRL and not for any other person and will not be responsible for providing the protections provided to clients of TDRL nor for advising any other person in connection with the contents of this report and, except to the extent required by applicable law, including the rules of the FCA, owes no duty of care to any other such person. No reliance may be placed on ED for advice or recommendations with respect to the contents of this report and, to the extent it may do so under applicable law, ED makes no representation or warranty to the persons reading this report with regards to the information contained in it.

In the preparation of this report TDRL has used publically available sources and taken reasonable efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee or warranty as to the accuracy or completeness of the information or opinions contained herein, nor to provide updates should fresh information become available or opinions change.

Any person who is not a relevant person under section of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom should not act or rely on this document or any of its contents. Research on its client companies produced by TDRL is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. The report should be considered a marketing communication for purposes of the FCA rules. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. TDRL does not hold any positions in any of the companies mentioned in the report, although directors, employees or consultants of TDRL may hold positions in the companies mentioned. TDRL does impose restrictions on personal dealings. TDRL might also provide services to companies mentioned or solicit business from them.

This report is being provided to relevant persons to provide background information about the subject matter of the note. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever. The information that we provide is not intended to be, and should not in any manner whatsoever be, construed as personalised advice. Self-certification by investors can be completed free of charge at www.fisma.org. TDRL, its affiliates, officers, directors and employees, and ED will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

Copyright 2019 Trinity Delta Research Limited. All rights reserved.

More information is available on our website: www.trinitydelta.org