

Cellnovo 4Q15 - Early sales of €346,524 rise 78% sequentially; 102 new systems shipped in UK, France, Netherlands; roughly five quarters of cash remaining - January 20, 2016

Cellnovo [reported](#) 4Q15 financial results yesterday, its second update [following a €32 million IPO in July](#) on the Euronext stock exchange. Sales of the patch pump system in the UK, France, and newly launched Netherlands totaled €346,524, up four-fold year-over-year and a 78% increase sequentially from [3Q15](#), from a low base. 2015 revenue in total was €608,000. Cellnovo shipped 102 new systems in 4Q15, rising 65% from [3Q15](#) and bringing cumulative shipments to 224 since launching in 2014. We look more at actual sales rather than growth given the low sales base in these early days of commercialization. Management says demand continues to outstrip supply, and Cellnovo is still transferring technology to Flex (Flextronics) to expand capacity - this is challenging to follow. The partnership is expected to "significantly increase" system shipments in 2H16 and that will be important to assess demand - we see the competition as fairly fierce in this field, particularly in geographic locales where reimbursement is not strong. Cellnovo had €26 million in cash as of December 31, a significant €5 million burn in 4Q15, and implying roughly five quarters of cash on hand remaining (likely less if other EU launches take place "in the coming months"). Cellnovo previously expected to introduce a next-gen handset in early 2016 (Bluetooth, Android, glass touchscreen), though we're not sure where that stands. There's no question the company's patch pump system offers something differentiated (e.g., built-in cellular connectivity), though the business realities of commercializing a new insulin pump in a crowded marketplace remain challenging, particularly with Medtronic's successful EU launch of the MiniMed 640G (40% EU growth [reported in December](#)) and all of Medtronic's valuable infrastructure (manufacturing, sales, customer service, etc.). Cellnovo investor confidence continues to wane - its market cap is down to ~€65 million from ~€83 million in 3Q15 and ~€139 million shortly following the IPO, challenging, again, in this market. We note that several executives formerly listed on the website are no longer with the company, notably CFO Bart Bergstein and VP Sales and Clinical Reman McDonough. Can Cellnovo set itself far enough apart from competitors, build awareness, grow the market of patients on pumps, and build a sustainable business? Or, can the field work together to expand confidence in the pump market? We are curious what's happening on the closed loop front - this will be a potentially disruptive move for the pump market when insulin delivery is automated - we look forward to assessing how much growth will happen as a result. Pump penetration hovers well below the US at only about 10% - we continue to wish the companies would work together to demonstrate value of physiologic insulin delivery. The overall penetration certainly has upside if this could be proven.

-- by Adam Brown and Kelly Close