INVEST SECURITIES

BIOTECH

ORYZON GENOMICS

BUY

TARGET PRICE : 6,6€ (vs 7,3€) +141%

UPDATE

INCREASED VISIBILITY, CLINICAL POTENTIAL CONFIRMED

We have updated our model to include the €20m private placement that has extended the financial visibility up through Q1 23. Since our last flash, the company has announced encouraging new clinical data for iademenstat and vafidemstat, its two drug candidates in the treatment respectively of AML and psychiatric disorders. This data, which is consistent with already reported results, confirms the potential of the pipeline but has not led to any change in our valuation for the moment. We have adjusted our target price to €6.6 (vs. €7.3) and are maintaining our BUY opinion.

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Capital increase totaling €20m, financial visibility up through Q1 23

The H1 20 results were marked by slightly higher than expected OPEX despite a difficult health context that has affected the pursuit of the clinical trials. In greater detail, OPEX rose +18% to -$8.9m (vs. -$8.1m expected), boosted by the increase in R&D spending (+26%) in connection of the development of the pipeline. The net loss equaled -$1.5m (vs. -$2.2m expected). As of end June 2020, cash totaled $54.9m, reflecting the completion of a $22.4m private placement last June 25. This placement involved the creation of 7.273 million new shares at a price of €2.75 per share, corresponding to a -10.7% discount to the previous share price. This fundraising round has extended the financial visibility up through Q1 23 and represents further confirmation of the market's interest in the company's epigenetic approach. Additionally, this supplemental financing will enable the company to easily deal with the current environment and serenely enter into potential negotiations for licenses covering its drug candidates once the phase II trials are completed. We would note the company is not ruling out a dual listing on the NASDAQ in order to raise additional funds that would give it the option of in-house development and to give it visibility in the United States.

Additional clinical data that is consistent and encouraging

On June 12, the company announced additional data from its phase II ALICE trial evaluating iadademstat + azacitidine in the treatment of acute myeloid leukemia (AML) in elderly patients. This data from 13 patients was presented in connection with the EHA-2020 meeting. The efficacy data was consistent overall with that presented in connection with eight patients last December 9. The response rate for the 13 patients was 77% compared to 75% for the previous eight patients. In greater detail, 60% of these patients showed complete remission (CR) versus 83% previously and 40% showed partial remission (PR) versus 17% previously. The longest remission was 488 days. The mean time to response was 37 days versus 32 days for the previous eight patients. As a reminder, the historical response rate in this population with azacitidine alone is 27%. In the same target population, Venclexta (ABBVIE) + azacitidine reached a response rate of 67% in a clinical trial involving 145 patients. By way of illustration, the Evaluate Pharma consensus anticipates 2026 sales of €2.6bn for this combination. Even if coming from a limited sample, these results demonstrate the potential of iademenstat. The ALICE study calls for a recruitment of 36 patients in total.

in € / share	2020e	2021e	2021e
Adjusted EPS	-0,09	-0,21	0,58
chg.	*n.s.*	*n.s.*	*n.s.*
estimates chg.	*n.s.*	*n.s.*	*n.s.*

au 31/12	2020e	2021e	2021e
PE	n.s.	n.s.	n.s.
EV/Sales	n.s.	n.s.	n.s.
EV/EBITDA	n.s.	n.s.	n.s.
EV/EBITA	n.s.	n.s.	n.s.
FCF yield*	n.s.	n.s.	n.s.
Div. yield (%)	n.s.	n.s.	n.s.

* After tax op. FCF before WCR

key points	
Share price (€)	2,7
Number of Shares (m)	53,1
Market cap. (€m)	145
Free float (€m)	115
ISIN	ES0167733015
Ticker	ORY-ES
DJ Sector	Health Technology

	1m	3m	Ytd
Absolute perf.	+2,4%	-23,4%	-1,4%
Relative perf.	+4,4%	-29,3%	+16,3%

Source : Factset, Invest Securities estimates

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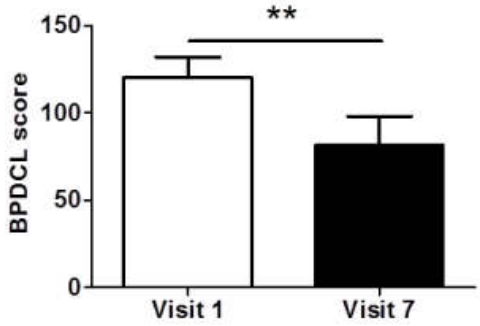
More recently, Oryzon presented at the beginning of July in connection with the EPA 2020 meeting final data from its REIMAGINE trial evaluating vafidemstat in three major psychiatric disorders: BPD (Borderline Personality Disorder), ADHD (Attention Deficit Hyperactivity Disorder) and ASD (Autism Spectrum Disorder). The data presented came from 30 patients (12 BPD, 11 ADHD and seven ASD). In comparison, the initial results already presented at different meetings in 2019 involved six patients with BPD (flash dated May 6, 2019), six patients with ADHD (flash dated May 6, 2019) and six patients with ASD (flash dated September 18, 2019). The final data was consistent with the encouraging data previously presented in terms of the different scales (CGI-S, CG-I, NPI-A/A) evaluating the control of agitation and aggression in patients. At the same time, a general improvement was observed using other regularly used scales (BPDCL, C-SSRS, ADHD-RS). In contrast, the most significant and encouraging improvement involved the cohort of patients suffering from BPD, with a remarkable improvement on the BPDCL scale (see chart below), suggesting that vafidemstat has a psychiatric effect beyond agitation and aggression. In greater detail, a score above 100 on the BPDCL scale indicates a bipolar disorder while a score of 67 corresponds to a clinical recovery cut-off.



Source : Oryzon Genomics

Bolstered by these results in BPD, the company plans to launch a phase IIb clinical trial in this indication over the near future. This study, to be called PORTICO, will be a double-blind, placebo-controlled, multicenter study and should include a sufficient number of patients to attain statistical significance. The initial design mentioned in different presentations involved a total of 100 patients over 16 weeks, corresponding to two times the length of treatment in the REIMAGINE study. The start of recruitment for this study has been delayed for a few months due to the Covid-19 pandemic.

Target price adjusted to €6.6 (vs. €7.7 previously), BUY opinion maintained

While we are not modifying our P&L estimates and our rNPV valuation, we have integrated into our model the €20m private placement that has led to the creation of 7.273 million new shares, resulting in -14% dilution. We have adjusted our target price to €6.6 (vs. €7.3 previously). With upside potential of +133% and an increasingly mature broad-based pipeline in high potential indications, we are maintaining our BUY opinion.

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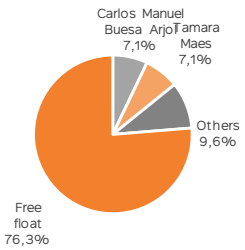
ORYZON GENOMICS

INVESTMENT CASE

ORYZON is a Spanish biotech specializing in the treatment of neurodegenerative diseases and cancer. In all its development programs, the company identifies biomarkers through its genetic and proteomic platforms in order to develop small molecule drugs. Looking ahead of multiple clinical updates, we believe that Oryzon's lead programs could significantly advance in 2020/2021.

FINANCIAL DATA

Shareholders



Share information	2017	2018	2019	2020e	2021e	2022e	2023e	2024e
Published EPS (€)	-0,15	-0,03	-0,09	-0,09	-0,21	0,58	0,49	0,81
Adjusted EPS (€)	**-0,15**	**-0,03**	**-0,09**	**-0,09**	**-0,21**	**0,58**	**0,49**	**0,81**
Diff. I.S. vs Consensus	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Valuation ratios	2017	2018	2019	2020e	2021e	2022e	2023e	2024e
P/E	n.s.	n.s.	n.s.	n.s.	n.s.	4,7x	5,6x	3,4x
EV/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	2,42x	4,10x	0,85x
VE/EBITDA	n.s.	n.s.	n.s.	n.s.	n.s.	3,4x	4,8x	1,9x
VE/EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	3,4x	4,8x	1,9x
Op. FCF bef. WCR yield	n.s.	n.s.	n.s.	n.s.	n.s.	13,5%	11,5%	32,6%
Op. FCF yield	n.s.	n.s.	n.s.	n.s.	n.s.	13,5%	11,5%	32,6%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2017	2018	2019	2020e	2021e	2022e	2023e	2024e
Share price in €	*4,6*	*2,7*	*3,2*	*2,7*	*2,7*	*2,7*	*2,7*	*2,7*
Market cap.	156	94	148	133	133	133	133	133
Net Debt	-17	-23	-27	-13	5	-12	-24	-51
Minorities	0	0	0	0	0	0	0	0
Provisions/ near-debt	0	0	0	0	0	0	0	0
+/- Adjustments	0	0	0	0	0	0	0	0
Entreprise Value (EV)	**139**	**71**	**122**	**119**	**137**	**121**	**109**	**82**

Income statement (€m)	2017	2018	2019	2020e	2021e	2022e	2023e	2024e
Sales	0,0	0,0	0,0	0,0	0,0	50,0	26,5	96,3
chg.	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*
EBITDA	-4	-3	-4	-4	-9	35	23	42
EBITA	**-4**	**-3**	**-4**	**-4**	**-9**	**35**	**23**	**42**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***-35,5%***	***+84,6%***
EBIT	-4,7	-3,3	-3,8	-4,0	-9,0	34,9	22,3	41,5
Financial result	-1	-1	-1	-1	-1	-1	-1	-1
Corp. tax	0	3	1	1	1	-9	0	-5
Minorities+affiliates	0	0	0	0	0	0	0	0
Net attributable profit	-5,2	-1,2	-3,8	-3,9	-9,0	25,4	21,5	35,6
Adjusted net att. profit	**-5,2**	**-1,2**	**-3,8**	**-3,9**	**-9,0**	**25,4**	**21,5**	**35,6**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***-15,4%***	***+65,8%***

Cash flow statement (€m)	2017	2018	2019	2020e	2021e	2022e	2023e	2024e
EBITDA	-3,9	-3,1	-3,7	-3,7	-8,7	35,3	22,7	42,0
Theoretical Tax / EBITA	0,1	2,5	0,9	0,9	0,9	-8,7	0,0	-5,1
Capex	0,6	-7,0	-9,6	-10,3	-10,3	-10,3	-10,3	-10,3
Operating FCF bef. WCR	**-3,2**	**-7,6**	**-12,4**	**-13,1**	**-18,1**	**16,3**	**12,5**	**26,7**
Change in WCR	-0,2	0,3	0,3	0,0	0,0	0,0	0,0	0,0
Operating FCF	**-3,4**	**-7,3**	**-12,1**	**-13,1**	**-18,1**	**16,3**	**12,5**	**26,7**
Acquisitions/disposals	5,1	0,1	0,5	0,0	0,0	0,0	0,0	0,0
Capital increase/decrease	16,9	11,9	18,4	20,0	0,0	0,0	0,0	0,0
Dividends paid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other adjustments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Published FreeCash Flow	**18,5**	**4,7**	**6,7**	**6,9**	**-18,1**	**16,3**	**12,5**	**26,7**

Balance Sheet (€m)	2017	2018	2019	2020e	2021e	2022e	2023e	2024e
Assets	25	32	42	52	62	72	82	91
Intangible assets/GW	22	29	40	50	60	70	79	89
WCR	-8	-9	-8	-8	-8	-8	-8	-8
Group equity capital	34	45	61	77	68	94	115	151
Minority shareholders	0	0	0	0	0	0	0	0
Provisions	0	0	0	0	0	0	0	0
Net financial debt	**-17,2**	**-22,6**	**-26,7**	**-13,4**	**4,7**	**-11,6**	**-24,1**	**-50,7**

Financial ratios	2017	2018	2019	2020e	2021e	2022e	2023e	2024e
EBITDA margin	n.s.	n.s.	n.s.	n.s.	n.s.	70,6%	85,9%	43,6%
EBITA margin	n.s.	n.s.	n.s.	n.s.	n.s.	70,6%	85,9%	43,6%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	50,7%	81,1%	37,0%
ROCE	n.s.	n.s.	n.s.	n.s.	n.s.	55,1%	30,8%	50,3%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	27,1%	18,7%	23,6%
Gearing	n.s.	n.s.	n.s.	n.s.	6,8%	n.s.	n.s.	n.s.
ND/EBITDA (in x)	n.s.	n.s.	n.s.	n.s.	n.s.	-0,3x	-1,1x	-1,2x

Source : company, Invest Securities Estimates

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ORYZON GENOMICS

SWOT ANALYSIS

STRENGTHS

- Epigenetic platform
- Numerous clinical development programs
- Solid cash position

WEAKNESS

- No partnership
- Numerous failures in lead indication (AD)
- Tight competition in oncology indications

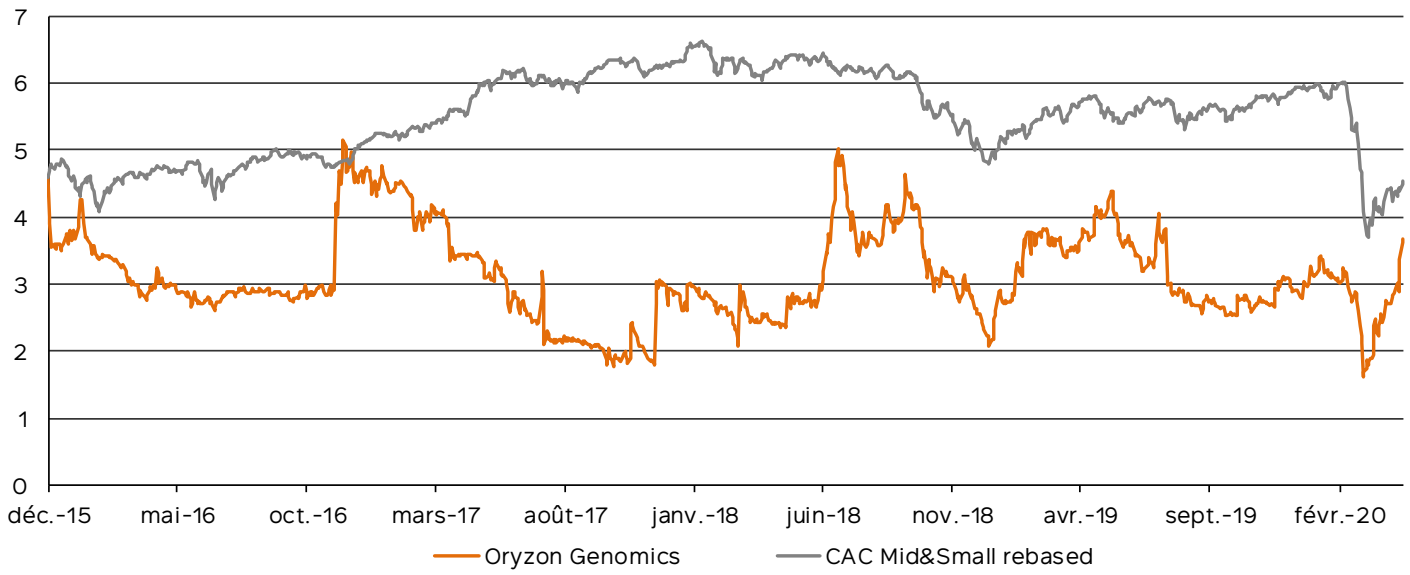
OPPORTUNITIES

- Potential partnership agreement
- Expansion indications for clinical programs

THREATS

- Clinical and regulatory risks
- Commercial risks
- Legal risks

SHARE PRICE CHANGE FOR 5 YEARS



DETECTION OF CONFLICTS OF INTEREST

	Corporate Finance	Treasury stocks holding	Prior communication to company	Analyst's personal interest	Liquidity contract	Listing Sponsor	Research Contract
Oryzon Genomics	Non	Non	Non	Non	Non	Non	Oui

DISCLAIMER

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