INVEST SECURITIES

BIOTECH

ORYZON GENOMICS

BUY

TARGET PRICE : 6,6€ +128%

9M 20 RESULTS

NEW ORIENTATION IN SCLC

Oryzon announced 9M 20 results on Monday that were in line overall with our estimates. The cash position of €44.6m offers visibility at least through Q1 23. The results for the CLEPSIDRA study in SCLC presented at the ESMO meeting in mid-September were mixed, with encouraging effectiveness but a problematic toxicity profile. This toxicity problem has led the company to revise its plans in SCLC in favor of new non-hemotoxic combinations. After an update, we are maintaining our BUY opinion and TP of €6.6, with the market significantly undervaluing the pipeline.

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9-month 2020 results in line, comfortable cash position

Oryzon Genomics has announced 9-month 2020 results in line overall with estimates. Operating expenses totaled -€10.5m (vs. -€10.5m expected). The net loss equaled -€2.3m (vs. -€2.9m exp), a +17% improvement compared to 2019. The difference between the reported and estimated net loss was explained by a research tax credit of €1.3m (vs. €0.7m exp). Cash totaled €44.6m, giving financial visibility through Q1 23.

Toxicity profile of iadademstat as 2nd line treatment in SCLC put into question

The company presented the definitive results for its CLEPSIDRA phase IIa study evaluating the safety and effectiveness of a treatment combining iadademstat + chemotherapy (carboplatin-etoposide) for patients with relapsed small cell lung cancer (ED-SCLC) in mid-September in connection with the 2020 ESMO meeting.

As a reminder, the first update at the 2019 ESMO meeting had highlighted encouraging results in eight patients in this very difficult to treat population (two year survival rate < 10%) with a high relapse rate and medical need. Out of the eight evaluable patients, four partial responses were seen and two patients showed stable disease, corresponding to an objective response rate (ORR) of 50%. More precisely, in a patient showing a partial response, the reduction in the tumor equaled 79% after six treatment cycles in combination and reached 86% after continuation of treatment with iadademstat as monotherapy. As such, in ORR terms, these preliminary results as second line treatment were encouraging compared to chemotherapy drugs such as topotecan (15/24%) or lurbinectedin (35%) as well as compared to checkpoint inhibitors (10/30%). However, these preliminary results put into question the safety profile of the combination, with greater hematological toxicity. At the same time, iadademstat as monotherapy showed a solid safety profile.

The results presented at the 2020 ESMO meeting for 14 patients, with 10 patients evaluable for effectiveness (per protocol), confirmed these initial results, with an encouraging ORR but problematic toxicity for the combination. In greater detail, with a stable number of partial responses, the ORR equaled 40% (vs. 50% previously) with a duration of response of 4.5 months on average. The concerns regarding these results involved the toxicity of the combination. In order to better control this factor, the patients received -30/-60% lower doses on average of iadademstat per cycle.

1/5

in € / share	2020e	2021e	2022e
Adjusted EPS	-0,07	-0,12	0,59
chg.	*n.s.*	*n.s.*	*n.s.*
estimates chg.	*n.s.*	*n.s.*	*n.s.*

au 31/12	2020e	2021e	2022e
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 (€)	2,9
Number of Shares (m)	53,1
Market cap. (€m)	140
Free float (€m)	111
ISIN	ES0167733015
Ticker	ORY-ES
DJ Sector	Health Technology

	1m	3m	Ytd
Absolute perf.	-5,0%	-4,5%	-5,0%
Relative perf.	-15,2%	-12,0%	+0,5%

Source : Factset, Invest Securities estimates

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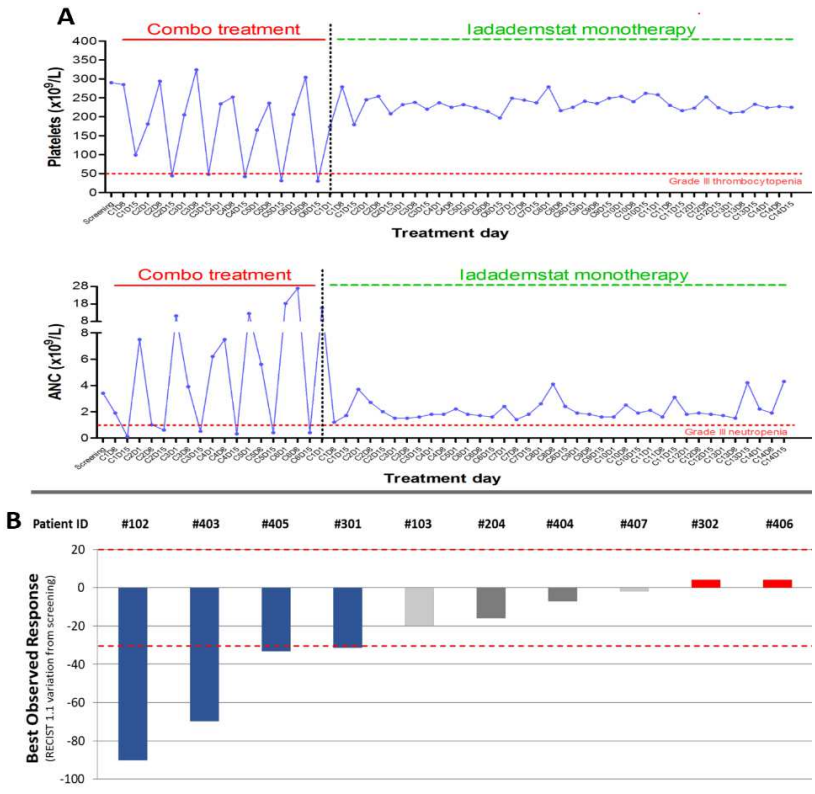
Nevertheless, out of the 14 patients evaluable for safety, serious hematological side effects were seen in seven (50%), an unsatisfactory level for the continuation of the development of iadademstat in combination as second line treatment of SCLC. We can see (chart A) that iadademstat in monotherapy did not produce major side effects. The toxicity of chemotherapy in this disease was known. However, despite the adjustments in doses, the combination does not offer an acceptable safety profile.

Consequently, the company has decided not to pursue this line of development for iadademstat. Based on the result of this exploratory study, with encouraging ORR and toxicity results for iadademstat as monotherapy indicating a coherent selection of biomarkers, Oryzon is now seeking to focus on a trial in combination with non-hemotoxic drugs such as checkpoint inhibitors or possibly as monotherapy. An announcement regarding the development program should be made soon.

Toxicity profile (A) and response rate (B)



Source : Oryzon Genomics

Target price unchanged at €6.6, BUY opinion maintained

After adjustment of the financial results and an updating of our model, we are maintaining our BUY opinion with a target price of €6.6. Even if the exploratory study evaluating iadademstat in combination in ED-SCLC proved disappointing in terms of toxicity, the effectiveness results in combination and monotherapy as well as the safety profile of iadademstat in monotherapy validate the pursuit of development in monotherapy or in combination with non-hemotoxic drugs. Oryzon should make an announcement soon concerning its plan for the clinical development of iadademstat in this disease featuring high medical need. While waiting for greater details concerning clinical development in SCLC, we are maintaining our probabilities of success in oncology (25%) with a valuation of iadademstat (ED-SCLC and AML) of €2.4/share.

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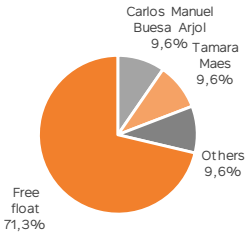
ORYZON GENOMICS

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	-0,07	-0,12	0,59	0,50	0,82
Adjusted EPS (€)	**-0,15**	**-0,03**	**-0,09**	**-0,07**	**-0,12**	**0,59**	**0,50**	**0,82**
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.	4,9x	5,8x	3,5x
EV/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	2,44x	4,15x	0,86x
VE/EBITDA	n.s.	n.s.	n.s.	n.s.	n.s.	3,5x	4,8x	2,0x
VE/EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	3,5x	4,8x	2,0x
Op. FCF bef. WCR yield	n.s.	n.s.	n.s.	n.s.	n.s.	13,3%	11,4%	32,1%
Op. FCF yield	n.s.	n.s.	n.s.	n.s.	n.s.	13,3%	11,4%	32,1%
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*	*2,9*	*3,2*	*2,9*	*2,9*	*2,9*	*2,9*	*2,9*
Market cap.	156	99	148	138	138	138	138	138
Net Debt	-17	-23	-27	-14	0	-16	-28	-55
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**	**77**	**122**	**124**	**139**	**122**	**110**	**83**

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	-6	35	23	42
EBITA	**-4**	**-3**	**-4**	**-4**	**-6**	**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	-6,0	34,9	22,3	41,5
Financial result	-1	-1	-1	-1	-1	-1	-1	-1
Corp. tax	0	3	1	2	2	-9	0	-5
Minorities+affiliates	0	0	0	0	0	0	0	0
Net attributable profit	-5,2	-1,2	-3,8	-3,0	-5,0	25,7	21,8	35,9
Adjusted net att. profit	**-5,2**	**-1,2**	**-3,8**	**-3,0**	**-5,0**	**25,7**	**21,8**	**35,9**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***-15,2%***	***+64,8%***

Cash flow statement (€m)	2017	2018	2019	2020e	2021e	2022e	2023e	2024e
EBITDA	-3,9	-3,1	-3,7	-3,7	-5,7	35,3	22,7	42,0
Theoretical Tax / EBITA	0,1	2,5	0,9	1,5	1,5	-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**	**-12,5**	**-14,5**	**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**	**-12,5**	**-14,5**	**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**	**7,5**	**-14,5**	**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	92
Intangible assets/GW	22	29	40	50	60	70	80	89
WCR	-8	-9	-8	-8	-8	-8	-8	-8
Group equity capital	34	45	61	78	73	99	121	156
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**	**-14,0**	**0,5**	**-15,8**	**-28,3**	**-55,0**

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.	51,4%	82,3%	37,3%
ROCE	n.s.	n.s.	n.s.	n.s.	n.s.	54,9%	30,7%	50,1%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	26,0%	18,1%	23,0%
Gearing	n.s.	n.s.	n.s.	n.s.	0,6%	n.s.	n.s.	n.s.
ND/EBITDA (in x)	n.s.	n.s.	n.s.	n.s.	n.s.	-0,4x	-1,2x	-1,3x

Source : company, Invest Securities Estimates

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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

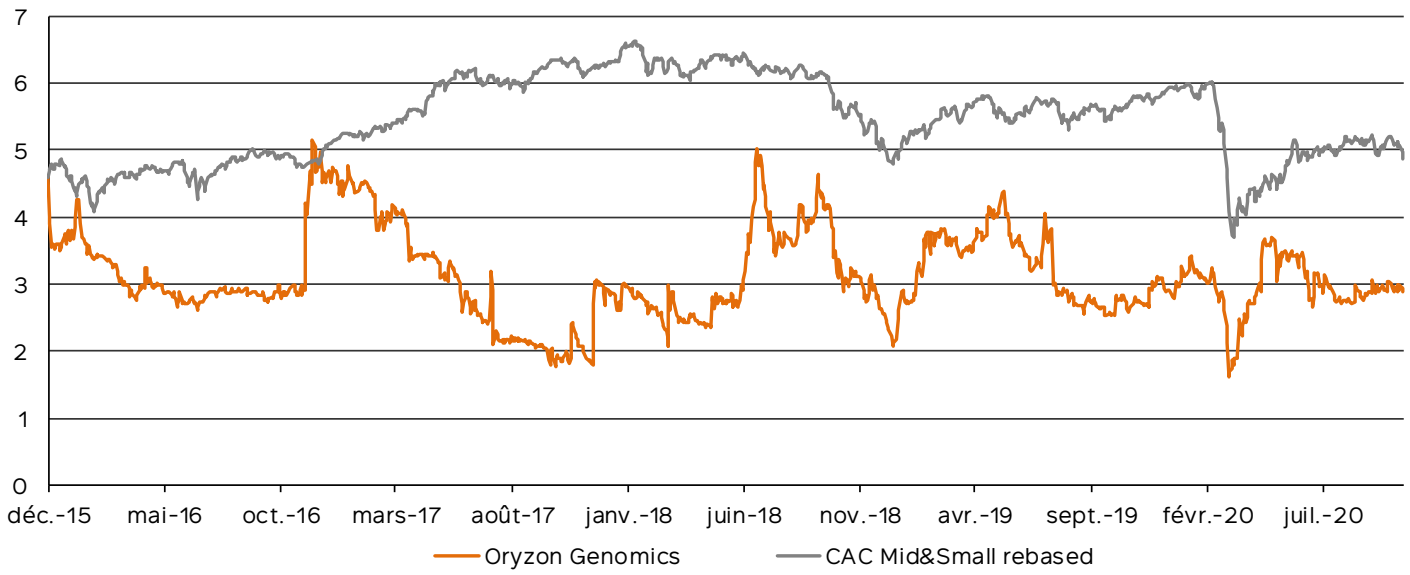
OPPORTUNITIES

- 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	No	No	No	No	No	No	Yes

DISCLAIMER

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