

BUY

TARGET PRICE : 8,4€ (vs 8,8€) **W** +195%

COMPANY UPDATE

**FINANCIAL VISIBILITY EXTENDED INTO 2H21**

**ORYZON GENOMICS reported 2Q19 financial results on July, 30. Additionally, on July 25, the company announced capital raise of approximately €20M, which will result in issuance of approximately 6.7M new shares and could extend company's financial visibility into 2H22. We have updated our financial model to reflect the reported results. Following the dilutive capital raise and rolling our model forward, we lower our TP to €8.4 (vs €8.8). Reiterate BUY.**

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**Capital raise to extend cash runway into 2021**

On July 25, the company announced capital raise of nearly €20M to support clinical development of its lead assets, vafidemstat and iadademstat. The capital increase will result in the issuance of nearly 6.7M additional shares, representing 15% dilution to current shareholders. New company's shares are expected to be priced at €3.0, or 20% discount rate compared to ORYZON's share price on July, 24 at close. As a result, the immediate market reaction to announced capital raise was negative, sending the stock down by 16.5% on July 25, compared to decline of -0.5% by broader market (CAC40). While dilutive, we note that the raised funds could extend company's cash runway into 2H21, beyond highly expected clinical readouts from vafidemstat and iadademstat programs.

Recall, vafidemstat (ORY-2001), a dual LSD1/MAO-B inhibitor, is being evaluated in two Phase 2a studies: ETHERAL and SATEEN. A recent update from ETHERAL study, which is evaluating vafidemstat in patients with mild to moderate Alzheimer's disease (AD), confirmed clean safety profile of the drug and we currently expect the efficacy readout in 1H20 (see our note from July 23, 2019). A second Phase 2a SATEEN study is evaluating vafidemstat in patients with relapsing multiple sclerosis (rMS) and secondary progressive multiple sclerosis (SPMS), and we anticipate an update from this study in 2020. Moreover, the company has initiated the third Phase 2a study of vafidemstat in the management of aggressive behavior in different neurological disorders, and the study showed early promising results (see our note from May 6, 2019). On July 29, the company announced the successful end of recruitment in REIMAGINE study and we currently expect additional readouts in 2H19. Specifically, the results from Autism Spectrum Disorder cohort at the ECNP Congress, in September 2019, and from the Alzheimer's disease cohort at CTAD-2019 in December, 2019. Overall, we expect vafidemstat to reach the market in 2025 in the US and the EU, generating risk-adjusted revenues of €39M and growing to €495M by 2035.

Iadademstat (ORY-1001), a LSD1 selective inhibitor, is also being evaluated in two Phase 2a studies, ALICE and CLEPSIDRA. The results of the Part 1 (dose-finding) of ALICE study in elderly AML patients were recently presented (see our note from June 19, 2019) and the update from the Part 2 (safety and efficacy) of the study is expected at the American Society of Hematology (ASH) meeting in December, 2019.

|                       |             |             |             | 1/5                      |
|-----------------------|-------------|-------------|-------------|--------------------------|
| in € / share          | 2019e       | 2020e       | 2021e       | key points               |
| Adjusted EPS          | -0,13       | -0,29       | -0,45       | Share price (€)          |
| chg.                  | <i>n.s.</i> | <i>n.s.</i> | <i>n.s.</i> | 2,9                      |
| <i>estimates chg.</i> | <i>n.s.</i> | <i>n.s.</i> | <i>n.s.</i> | Number of Shares (m)     |
|                       |             |             |             | 45,8                     |
|                       |             |             |             | Market cap. (€m)         |
|                       |             |             |             | 131                      |
|                       |             |             |             | Free float (€m)          |
|                       |             |             |             | 90                       |
|                       |             |             |             | ISIN                     |
|                       |             |             |             | ES0167733015             |
|                       |             |             |             | Ticker                   |
|                       |             |             |             | ORY-ES                   |
|                       |             |             |             | DJ Sector                |
|                       |             |             |             | Health Technology        |
|                       |             |             |             |                          |
|                       |             |             |             | 1m    3m    Ytd          |
|                       |             |             |             | Absolute perf.           |
|                       |             |             |             | -11,2%   -29,3%   +31,6% |
|                       |             |             |             | Relative perf.           |
|                       |             |             |             | -11,0%   -28,3%   +14,0% |

\* After tax op. FCF before WCR

Source : Factset, Invest Securities estimates

Additionally, iadademstat is being evaluated in CLEPSIDRA trial in combination with platinum-etoposide chemotherapy in patients with relapsed, extensive-stage small cell lung cancer (SCLC), who are positive for predictive biomarkers. Similarly to ALICE, CLEPSIDRA was designed to include 2 parts, and we are expecting preliminary results from the Part 1 of CLEPSIDRA study at the annual meeting of the European Society for Medical Oncology (ESMO) in September 2019. We currently project iadademstat to reach the market for AML and rSCLC in 2024 in the US and the EU, generating risk-adjusted revenues of €24M and growing to €176M by 2031.

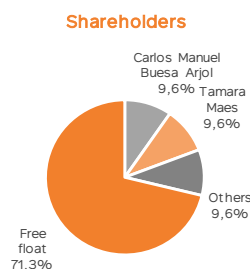
#### Financial update

On July 30, ORYZON announced 2Q19 financial results. For 2Q19, the company reported no operating revenues and operating expenses of €4.1M, in-line with our estimates. At the end of 2Q19 the company held €28.5M in cash, cash equivalents and marketable securities and, with addition of €20M from recent capital raise, we believe, that the company has sufficient funding to maintain its operations into 2H21. Following a dilutive capital raise and rolling our model forward, we lower our TP to €8.5, lower from previous €8.8. Reiterate BUY.

## 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 2019.

## FINANCIAL DATA



| Share Information                                                     | 2017         | 2018         | 2019e        | 2020e        | 2021e        | 2022e       | 2023e          | 2024e         |
|-----------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|----------------|---------------|
| Published EPS (€)                                                     | -0,15        | -0,03        | -0,13        | -0,29        | -0,45        | 0,52        | 0,43           | 0,75          |
| <b>Adjusted EPS (€)</b>                                               | <b>-0,15</b> | <b>-0,03</b> | <b>-0,13</b> | <b>-0,29</b> | <b>-0,45</b> | <b>0,52</b> | <b>0,43</b>    | <b>0,75</b>   |
| Diff. I.S. vs Consensus                                               | -0,3%        | -14,1%       | -16,7%       |              |              |             |                |               |
| Dividend                                                              |              |              |              |              |              |             |                |               |
| Valuation ratios                                                      | 2017         | 2018         | 2019e        | 2020e        | 2021e        | 2022e       | 2023e          | 2024e         |
| P/E                                                                   | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | 5,5x        | 6,7x           | 3,8x          |
| EV/Sales                                                              | 8265,92x     | n.s.         | n.s.         | n.s.         | n.s.         | 2,64x       | 4,54x          | 0,98x         |
| VE/EBITDA                                                             | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | 4,1x        | 6,2x           | 2,4x          |
| VE/EBITA                                                              | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | 4,1x        | 6,2x           | 2,4x          |
| Op. FCF bef. WCR yield                                                | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | 12,4%       | 10,4%          | 28,3%         |
| Op. FCF yield                                                         | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | 12,4%       | 10,4%          | 28,3%         |
| Div. yield (%)                                                        | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | n.s.        | n.s.           | n.s.          |
| <i>NB : valuation based on annual average price for past exercise</i> |              |              |              |              |              |             |                |               |
| Entreprise Value (€m)                                                 | 2017         | 2018         | 2019e        | 2020e        | 2021e        | 2022e       | 2023e          | 2024e         |
| Share price in €                                                      | 4,6          | 2,9          | 2,9          | 2,9          | 2,9          | 2,9         | 2,9            | 2,9           |
| Market cap.                                                           | 156          | 97           | 136          | 136          | 136          | 136         | 136            | 136           |
| Net Debt                                                              | -17          | -23          | -30          | -10          | 11           | -5          | -16            | -42           |
| 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             |
| <b>Entreprise Value (EV)</b>                                          | <b>139</b>   | <b>75</b>    | <b>107</b>   | <b>127</b>   | <b>147</b>   | <b>132</b>  | <b>120</b>     | <b>94</b>     |
| Income statement (€m)                                                 | 2017         | 2018         | 2019e        | 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           | -6           | -12          | -19          | 32          | 19             | 39            |
| <b>EBITA</b>                                                          | <b>-4</b>    | <b>-3</b>    | <b>-6</b>    | <b>-12</b>   | <b>-19</b>   | <b>32</b>   | <b>19</b>      | <b>39</b>     |
| chg.                                                                  | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | n.s.        | <b>-39,29%</b> | <b>+98,9%</b> |
| EBIT                                                                  | -4,7         | -3,3         | -6,2         | -12,2        | -19,3        | 31,7        | 19,1           | 38,3          |
| Financial result                                                      | -1           | -1           | -1           | -1           | -1           | -1          | -1             | -1            |
| Corp. tax                                                             | 0            | 3            | 1            | 0            | 0            | -9          | 0              | -5            |
| Minorities+affiliates                                                 | 0            | 0            | 0            | 0            | 0            | 0           | 0              | 0             |
| Net attributable profit                                               | -5,2         | -1,2         | -5,7         | -12,7        | -19,8        | 22,5        | 18,6           | 32,8          |
| <b>Adjusted net att. profit</b>                                       | <b>-5,2</b>  | <b>-1,2</b>  | <b>-5,7</b>  | <b>-12,7</b> | <b>-19,8</b> | <b>22,5</b> | <b>18,6</b>    | <b>32,8</b>   |
| chg.                                                                  | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | n.s.        | <b>-17,3%</b>  | <b>+76,0%</b> |
| Cash flow statement (€m)                                              | 2017         | 2018         | 2019e        | 2020e        | 2021e        | 2022e       | 2023e          | 2024e         |
| EBITDA                                                                | -3,9         | -3,1         | -6,0         | -12,0        | -19,0        | 32,0        | 19,5           | 38,7          |
| Theoretical Tax / EBITA                                               | 0,1          | 2,5          | 1,0          | 0,0          | 0,0          | -8,7        | 0,0            | -5,1          |
| Capex                                                                 | 0,6          | -7,0         | -7,0         | -7,0         | -7,0         | -7,0        | -7,0           | -7,0          |
| <b>Operating FCF bef. WCR</b>                                         | <b>-3,2</b>  | <b>-7,6</b>  | <b>-12,0</b> | <b>-19,0</b> | <b>-26,0</b> | <b>16,3</b> | <b>12,5</b>    | <b>26,7</b>   |
| Change in WCR                                                         | -0,2         | 0,3          | 0,0          | 0,0          | 0,0          | 0,0         | 0,0            | 0,0           |
| <b>Operating FCF</b>                                                  | <b>-3,4</b>  | <b>-7,3</b>  | <b>-12,0</b> | <b>-19,0</b> | <b>-26,0</b> | <b>16,3</b> | <b>12,5</b>    | <b>26,7</b>   |
| Acquisitions/disposals                                                | 5,1          | 0,1          | 0,0          | 0,0          | 0,0          | 0,0         | 0,0            | 0,0           |
| Capital increase/decrease                                             | 16,9         | 11,9         | 20,0         | 0,0          | 6,0          | 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           |
| <b>Published FreeCash Flow</b>                                        | <b>18,5</b>  | <b>4,7</b>   | <b>8,0</b>   | <b>-19,0</b> | <b>-20,0</b> | <b>16,3</b> | <b>12,5</b>    | <b>26,7</b>   |
| Balance Sheet (€m)                                                    | 2017         | 2018         | 2019e        | 2020e        | 2021e        | 2022e       | 2023e          | 2024e         |
| Assets                                                                | 25           | 32           | 39           | 46           | 53           | 60          | 67             | 74            |
| Intangible assets/GW                                                  | 22           | 29           | 36           | 44           | 51           | 58          | 65             | 71            |
| WCR                                                                   | -8           | -9           | -9           | -9           | -9           | -9          | -9             | -9            |
| Group equity capital                                                  | 34           | 45           | 59           | 47           | 33           | 55          | 74             | 107           |
| Minority shareholders                                                 | 0            | 0            | 0            | 0            | 0            | 0           | 0              | 0             |
| Provisions                                                            | 0            | 0            | 0            | 0            | 0            | 0           | 0              | 0             |
| <b>Net financial debt</b>                                             | <b>-17,2</b> | <b>-22,6</b> | <b>-29,8</b> | <b>-10,0</b> | <b>10,8</b>  | <b>-4,7</b> | <b>-16,4</b>   | <b>-42,3</b>  |
| Financial ratios                                                      | 2017         | 2018         | 2019e        | 2020e        | 2021e        | 2022e       | 2023e          | 2024e         |
| EBITDA margin                                                         | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | 64,0%       | 73,5%          | 40,2%         |
| EBITA margin                                                          | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | 64,0%       | 73,5%          | 40,2%         |
| Adjusted Net Profit/Sales                                             | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | 45,0%       | 70,4%          | 34,0%         |
| ROCE                                                                  | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | 62,8%       | 33,6%          | 59,8%         |
| ROE adjusted                                                          | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | 40,5%       | 25,1%          | 30,7%         |
| Gearing                                                               | n.s.         | n.s.         | n.s.         | n.s.         | 32,6%        | n.s.        | n.s.           | n.s.          |
| ND/EBITDA (in x)                                                      | n.s.         | n.s.         | n.s.         | n.s.         | n.s.         | -0,1x       | -0,8x          | -1,1x         |

Source : company, Invest Securities Estimates

## 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

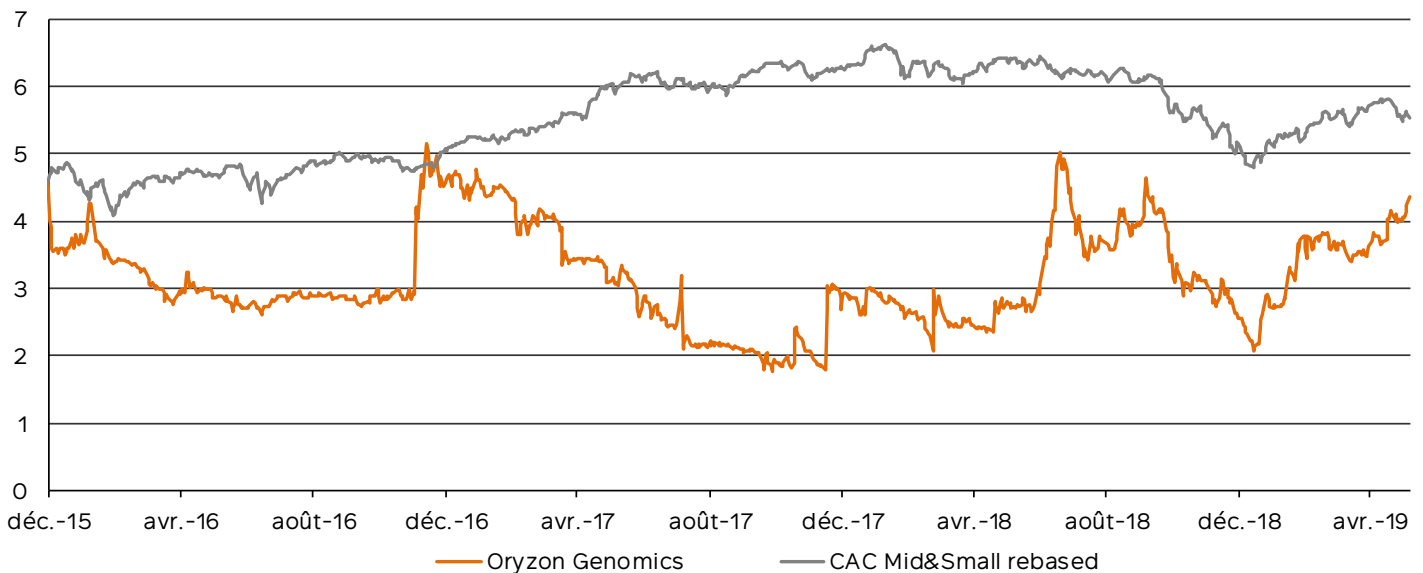
### OPPORTUNITIES

- Potential partnership agreement
- Expansion indications for clinical programs
- Preclinical programs to move into clinic

### 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 |
|------------------------|-------------------|-------------------------|--------------------------------|-----------------------------|--------------------|-----------------|-------------------|
| <b>Oryzon Genomics</b> | No                | No                      | Yes                            | No                          | No                 | No              | Yes               |

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