

BUY

TARGET PRICE : 8.8€ \ \ +145%

COMPANY UPDATE

MORE ACTION IN IADADEMSTAT'S MECHANISM OF ACTION

ORYZON GENOMICS announced publication of the scientific paper, which provided more color on the mechanism of action of the company's oncology asset, iadademstat. Moreover, the published scientific findings suggest ASCL1 as a potential biomarker for the clinical studies of iadademstat in small cell lung cancer (CREPSIDRA trial). The preliminary results from the Phase 2a CLEPSIDRA study are expected in 1H19. Additionally, ORYZON reported the full-year financial results, which we integrated into our financial model. As a result, we reiterate BUY rating and TP of €8.8.

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More insights into mechanism of action of iadademstat

In 1H19, we expect the preliminary results from the company's oncology franchise, the iadademstat program. Iadademstat is a selective inhibitor of LSD1 protein, an enzyme that plays an important role in gene regulation. Iadademstat is currently being evaluated in two Phase 2a studies: ALICE and CLEPSIDRA in acute myeloid leukemia and small cell lung cancer (SCLC), respectively. We note that recently published scientific paper, titled "Targeting NOTCH activation in small cell lung cancer through LSD1 inhibition", supports the clinical development of iadademstat in oncologic indications and, specifically, in SCLC. The authors showed that LSD1 inhibition activates NOTCH signaling, a highly conserved signaling pathway with a variety of roles in different types of cancer. In SCLC, activation of NOTCH leads to suppression of another regulatory protein, ASCL1. ASCL1 is a transcription factor that is required for development of a specific subset of lung cells and, consequently, for SCLC survival. We note that it is difficult to target ASCL1 directly, whereas iadademstat could provide such opportunity through activation of NOTCH. In preclinical models of SCLC, iadademstat significantly increased survival of mice with tumors in ASCL1-dependent manner.

Additionally, this preclinical study suggests ASCL1 as a potential biomarker, which could predict the tumor's response to iadademstat and potentially derisk the clinical development for the asset. Recall, the Phase 2a CLEPSIDRA study was designed to evaluate iadademstat in combination with platinum-etoposide chemotherapy in patients with relapsed SCLC (rSCLC), who are positive for predictive biomarkers. We note that chemotherapy was shown to be effective in only 10% of rSCLC patients, leaving plenty of room for the combination therapies to potentially improve this outcome. We expect the initial dose-finding results from CLEPSIDRA in 1H19, which we believe could also provide a preliminary look into the biomarker-dependent response.

Updates to our financial valuation

On February 15th, ORYZON announced the full-year 2018 financial results. For the year 2018, the company reported no operating revenues and operating expenses of €9.9M, lower than our previous estimates of €11.4M. The difference mainly resulted from higher than expected R&D capitalization. At the end of 2018 the company held €34.4M in cash, cash equivalents and marketable securities, which we believe is sufficient to maintain company's operations into 2H20. We have updated our financial model to reflect the reported results. Rolling our model forward, we reiterate BUY rating and TP of €8.8.

in € / share	2018e	2019e	2020e
Adjusted EPS	-0.03	-0.20	-0.30
chg.	n.s.	n.s.	n.s.
estimates chg.	n.s.	n.s.	n.s.

au 31/12	2018e	2019e	2020e
PE	n.s.	n.s.	n.s.
EV/Sales	n.s.	461.1x	487.1x
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 (€)	3.6
Number of Shares (m)	39.1
Market cap. (€m)	140
Free float (€m)	97
ISIN	ES0167733015
Ticker	ORY-ES
DJ Sector	Health Technology

	1m	3m	Ytd
Absolute perf.	+31.3%	+23.4%	+65.6%
Relative perf.	+27.1%	+20.4%	+53.4%

Source : Factset, Invest Securities estimates

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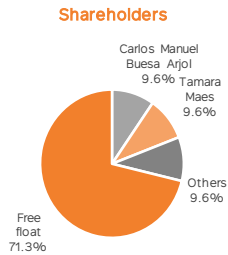
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INVESTMENT CASE

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	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Published EPS (€)	-0.19	-0.15	-0.03	-0.20	-0.30	-0.47	0.49	0.40	0.71
Adjusted EPS (€)	-0.19	-0.15	-0.03	-0.20	-0.30	-0.47	0.49	0.40	0.71
<i>Diff. I.S. vs Consensus</i>	<i>+12.5%</i>	<i>-0.3%</i>	<i>-11.2%</i>	<i>-20.4%</i>					
Dividend									

Valuation ratios	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
P/E	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	7.3x	9.0x	5.1x
EV/Sales	111.47x	8265.92x	n.s.	461.10x	487.10x	n.s.	3.08x	5.35x	1.22x
VE/EBITDA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	4.8x	7.4x	3.0x
VE/EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	4.8x	7.4x	3.0x
Op. FCF bef. WCR yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	10.6%	8.8%	22.7%
Op. FCF yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	10.6%	8.8%	22.7%
Div. yield (%)	n.s.	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)	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Share price in €	3.0	4.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Market cap.	85	156	122	161	161	161	161	161	161
Net Debt	-3	-17	-23	-8	1	9	-8	-20	-46
Minorities	0	0	0	0	0	0	0	0	0
Provisions/ near-debt	0	0	0	0	0	0	0	0	0
+/- Adjustments	0	0	0	0	0	0	0	0	0
Entreprise Value (EV)	82	139	100	154	162	170	154	142	115

Income statement (€m)	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Sales	0.7	0.0	0.0	0.3	0.3	0.0	50.0	26.5	94.6
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>
EBITDA	-4	-4	-3	-8	-12	-19	32	19	38
EBITA	-4	-4	-3	-8	-12	-19	32	19	38
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	-39.4%	+97.0%
EBIT	-4.9	-4.7	-3.3	-9.2	-13.4	-21.0	29.8	17.0	35.4
Financial result	-1	-1	-1	0	0	0	0	0	0
Corp. tax	0	0	3	0	0	0	-9	0	-5
Minorities+affiliates	0	0	0	0	0	0	0	0	0
Net attributable profit	-5.4	-5.2	-1.2	-8.9	-13.1	-20.7	21.4	17.3	30.8
Adjusted net att. profit	-5.4	-5.2	-1.2	-8.9	-13.1	-20.7	21.4	17.3	30.8
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	-19.0%	+77.8%

Cash flow statement (€m)	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
EBITDA	-4.1	-3.9	-3.1	-7.9	-11.9	-19.2	31.2	19.2	37.9
Theoretical Tax / EBITA	0.0	0.1	2.5	0.0	0.0	0.0	-8.7	0.0	-5.0
Capex	-7.1	0.6	-7.0	-6.8	-6.8	-6.8	-6.8	-6.8	-6.8
Operating FCF bef. WCR	-11.2	-3.2	-7.6	-14.7	-18.7	-26.0	16.3	12.5	26.2
Change in WCR	-0.1	-0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Operating FCF	-11.3	-3.4	-7.3	-14.7	-18.7	-26.0	16.3	12.5	26.2
Acquisitions/disposals	0.7	5.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase/decrease	0.3	16.9	11.9	0.0	10.0	18.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Published FreeCash Flow	-10.2	18.5	4.7	-14.7	-8.7	-8.0	16.3	12.5	26.2

Balance Sheet (€m)	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Assets	21	25	32	38	43	48	54	58	63
Intangible assets/GW	19	22	29	35	41	46	51	56	61
WCR	-1	-8	-9	-9	-9	-9	-9	-9	-9
Group equity capital	23	34	45	36	33	30	52	69	100
Minority shareholders	0	0	0	0	0	0	0	0	0
Provisions	0	0	0	0	0	0	0	0	0
Net financial debt	-2.6	-17.2	-22.6	-8.0	0.7	8.7	-7.6	-20.0	-46.2

Financial ratios	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
EBITDA margin	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	63.6%	72.7%	40.1%
EBITA margin	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	63.6%	72.7%	40.1%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	42.8%	65.5%	32.5%
ROCE	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	71.5%	39.0%	70.2%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	41.2%	25.0%	30.8%
Gearing	n.s.	n.s.	n.s.	n.s.	2.2%	28.6%	n.s.	n.s.	n.s.
ND/EBITDA (in x)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	-0.2x	-1.0x	-1.2x

Source : company, Invest Securities Estimates

SWOT ANALYSIS

STRENGTHS

WEAKNESS

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

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

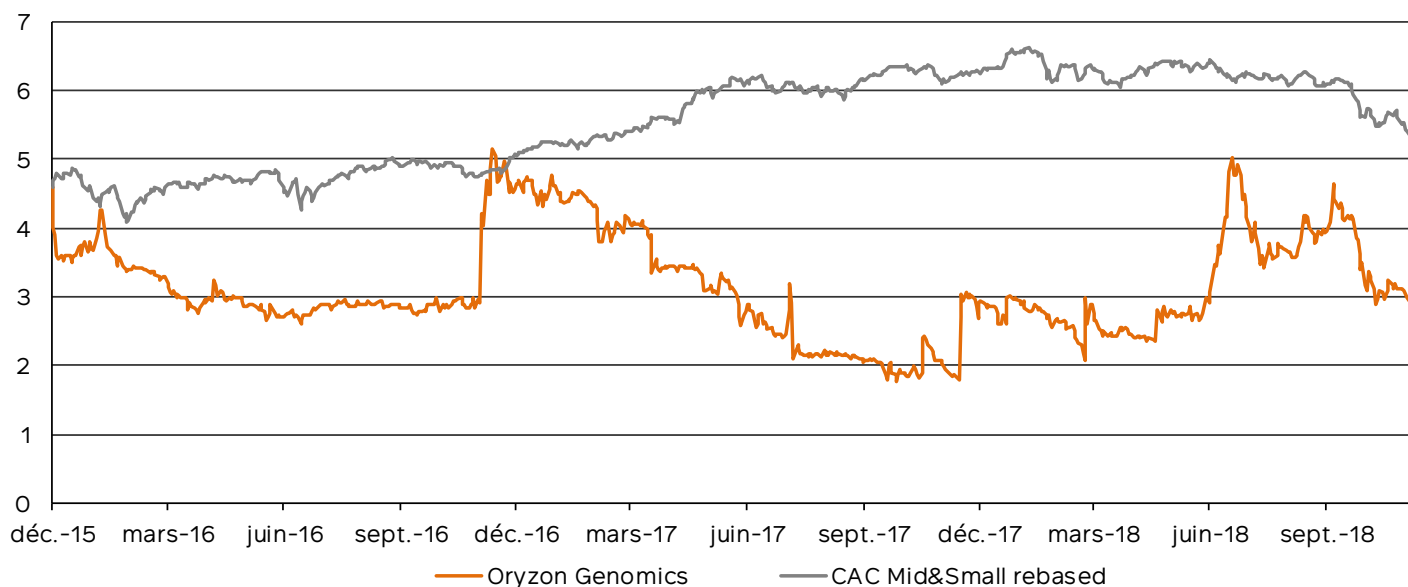
OPPORTUNITIES

THREATS

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

- Clinical and regulatory risks
- Commercial risks
- Legal risks

SHARE PRICE CHANGE FOR 5 YEARS



DETECTION OF CONFLICTS OF INTEREST

	Corporate Finance	Détention capitalistique de l'émetteur	Communication préalable à l'émetteur	Intérêt personnel de l'analyste	Contrat de liquidité	Listing Sponsor	Contrat d'analyse
Oryzon Genom	Non	Non	Oui	Non	Non	Non	Oui

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