

BUY

TARGET PRICE : 8.8€  +101%

COMPANY UPDATE

ADDF SHOWS CONTINUOUS SUPPORT FOR VAFIDEMSAT

ORYZON GENOMICS announced that it would receive additional \$1.5M from the Alzheimer’s Drug Discovery Foundation (ADDF) in exchange for company’s shares. The funding would support the Phase 2a ETHERAL study of vafidemstat in patients with Alzheimer’s disease. In our view, the continuous support of vafidemstat program by the ADDF sends a positive signal. Additionally, the company reported 1Q19 financial results on May 13, 2019. Following this newsflow, we update our financial model. We reiterate our BUY rating and TP of €8.8.

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Continuous support by ADDF reassures vafidemstat’s potential

The company announced that the Alzheimer’s Drug Discovery Foundation (ADDF) would grant additional \$1.5M to support the phase 2a ETHERAL study of vafidemstat in exchange for ORYZON’s shares. Recall, vafidemstat (ORY-2001), a novel epigenetic therapy, was designed to simultaneously target lysine specific demethylase 1 (LSD1) and monoamine oxidase B (MAO-B) - enzymes that are involved in the epigenetic mechanisms of gene regulation. ETHERAL, a multicenter randomized placebo-controlled trial, is evaluating vafidemstat as a treatment against mild to moderate Alzheimer’s disease (AD), with potential interim look in 1H20. The funding from the ADDF would support the expansion of ETHERAL to the US-based clinical sites, for which the company has already receive the IND in March, 2019. Currently, ORYZON expects to enroll 30 AD patients in the US and up to 125 patients in the EU. According to company, the enrollment in Europe has already reached 70% (90 patients).

In return, the ADDF would receive 367,250 company’s shares, which represents nearly €3.6 per share or 14% discount rate from the closing price on Friday 17, 2019 and less than 1% dilution of the company’s equity capital. We note that vafidemstat program first received funding from the ADDF back in 2011 and, in our view, the continuous support of the vafidemstat’s clinical development sends a positive signal. We also note that ADDF is funding nearly 20% of all clinical trials in AD, including a proof of concept study of HDAC6 inhibitor (from Eikonizo Therapeutics), another epigenetic asset. In our view, the later supports the notion that epigenetic therapies are gaining traction as a novel approach to target AD.

Financial update

On May 13th, ORYZON announced the 1Q19 financial results. For 1Q19, the company reported no operating revenues and operating expenses of €3.2M, in-line with our expectations. At the end of 1Q19 the company held €29.4M in cash, cash equivalents and marketable securities and, with addition of \$1.5M, we believe, that the company has sufficient funding to maintain its operations into 2H20. We have updated our financial model to reflect the reported results. We reiterate our BUY rating and TP of €8.8.

in € / share	2018e	2019e	2020e
Adjusted EPS	-0.03	-0.11	-0.26
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>
<i>estimates chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>
au 31/12	2018e	2019e	2020e
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			
	1m	3m	Ytd
Share price (€)			4.4
Number of Shares (m)			39.1
Market cap. (€m)			171
Free float (€m)			118
ISIN			ES0167733015
Ticker			ORY-ES
DJ Sector			Health Technology
Absolute perf.	+15.6%	+21.4%	+101.8%
Relative perf.	+20.0%	+17.4%	+79.8%

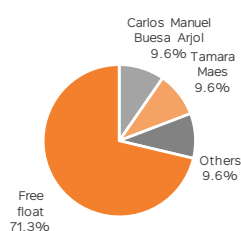
Source : Factset, Invest Securities estimates

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

Shareholders



Share Information	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Published EPS (€)	-0.19	-0.15	-0.03	-0.11	-0.26	-0.43	0.53	0.44	0.76
Adjusted EPS (€)	-0.19	-0.15	-0.03	-0.11	-0.26	-0.43	0.53	0.44	0.76
Diff. I.S. vs Consensus	+12.5%	-0.3%	-14.1%	-37.7%					
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.	8.2x	10.0x	5.8x
EV/Sales	111.47x	8265.92x	n.s.	n.s.	n.s.	n.s.	3.56x	6.26x	1.44x
VE/EBITDA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	5.2x	7.7x	3.4x
VE/EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	5.2x	7.7x	3.4x
Op. FCF bef. WCR yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	9.1%	7.5%	19.2%
Op. FCF yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	9.1%	7.5%	19.2%
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

Enterprise Value (€m)	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Share price in €	3.0	4.6	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Market cap.	85	156	149	188	188	188	188	188	188
Net Debt	-3	-17	-23	-11	-2	6	-10	-23	-49
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
Enterprise Value (EV)	82	139	127	178	187	195	178	166	139

Income statement (€m)	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Sales	0.7	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.	n.s.
EBITDA	-4	-4	-3	-4	-10	-17	34	21	41
EBITA	-4	-4	-3	-4	-10	-17	34	21	41
chg.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	-36.9%	+89.7%
EBIT	-4.9	-4.7	-3.3	-5.3	-11.6	-19.0	31.7	18.9	37.8
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	-5.0	-11.3	-18.7	23.3	19.2	33.1
Adjusted net att. profit	-5.4	-5.2	-1.2	-5.0	-11.3	-18.7	23.3	19.2	33.1
chg.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	-17.8%	+72.5%

Cash flow statement (€m)	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
EBITDA	-4.1	-3.9	-3.1	-4.0	-10.0	-17.0	34.0	21.5	40.7
Theoretical Tax / EBITA	0.0	0.1	2.5	0.0	0.0	0.0	-8.7	0.0	-5.1
Capex	-7.1	0.6	-7.0	-9.0	-9.0	-9.0	-9.0	-9.0	-9.0
Operating FCF bef. WCR	-11.2	-3.2	-7.6	-13.0	-19.0	-26.0	16.3	12.5	26.7
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	-13.0	-19.0	-26.0	16.3	12.5	26.7
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	1.3	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	-11.7	-9.0	-8.0	16.3	12.5	26.7

Balance Sheet (€m)	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Assets	21	25	32	40	47	55	62	69	75
Intangible assets/GW	19	22	29	37	45	52	59	66	73
WCR	-1	-8	-9	-9	-9	-9	-9	-9	-9
Group equity capital	23	34	45	41	40	40	63	82	115
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	-11.0	-2.0	6.0	-10.3	-22.7	-49.4

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.	68.0%	81.1%	42.3%
EBITA margin	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	68.0%	81.1%	42.3%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	46.6%	72.5%	34.3%
ROCE	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	64.4%	36.1%	61.8%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	37.1%	23.4%	28.7%
Gearing	n.s.	n.s.	n.s.	n.s.	n.s.	15.3%	n.s.	n.s.	n.s.
ND/EBITDA (in x)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	-0.3x	-1.1x	-1.2x

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

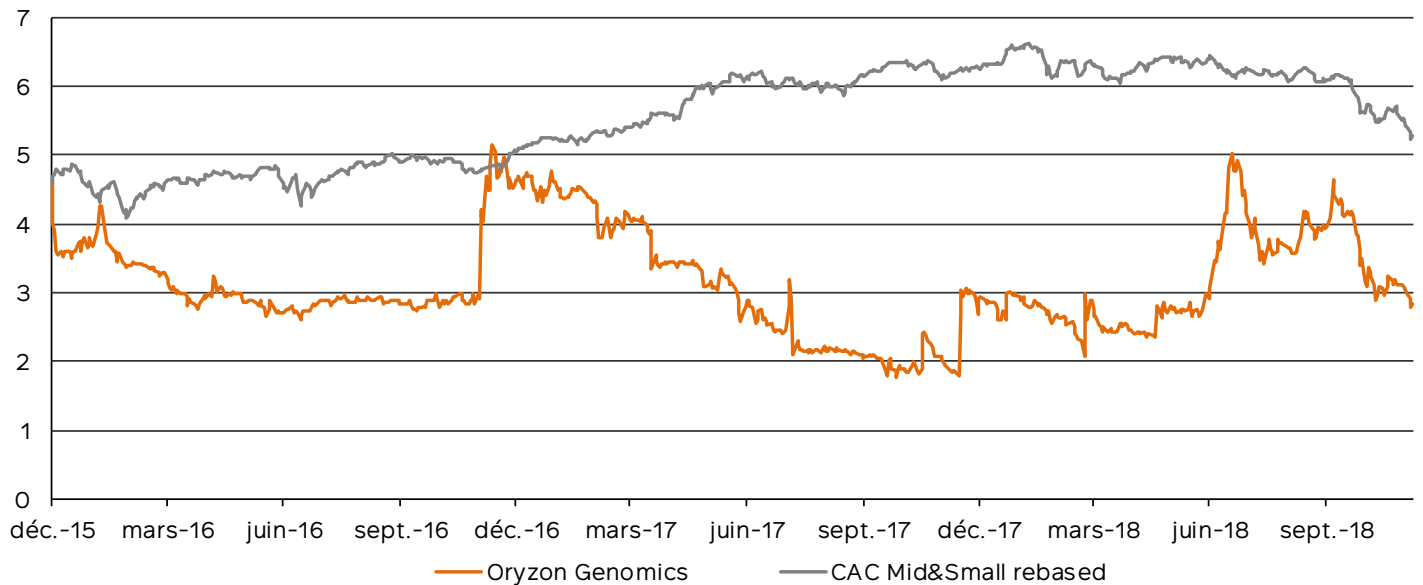
OPPORTUNITIES

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

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