Analyst Report

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Quantum Genomics

Alternext Paris: ALQGC [FR0011648971]

2017/02/17

Estimated price:	€17.51
Share price (€)*	5.60
Market Cap. (€M)*	47.0
Estimated Market Cap. (€M)	146.9
Number of shares (M)	8.4
YTD High/Low (€)	7.84/5.60
3-month average daily vol.	41.000
Free Float	63.1%
Estimated Net Cash (€M)	11.0

** as of 2017/02/16*

Quantum Genomics strengthens IP on BAPAIs while preparing the US phase 2 trial in hypertension

Quantum Genomics was recently granted a European patent for the use of any drug formulation associating its lead drug candidate QGC001 with most of Angiotensin Converting Enzyme inhibitors and Angiotensin II receptor blockers. In addition to strengthening the company's intellectual protection on BAPAIs, this patent enhances QGC001 attractiveness, whose commercial and therapeutic potential could significantly increase in combination therapy. Moreover, the company will present full results of its Phase 2a study in hypertension in June 2017. These results are highly anticipated as they should bring more information on QGC001's potential. In the meantime, Quantum Genomics is preparing to launch a phase 2 study with this drug in the US by the end of the year. For the French biopharmaceutical company eying to revolutionize the treatment of cardiovascular diseases, the year 2017 may be a decisive year. We maintain our target price of the company to 17.51 €/share.

A new approach to treat cardiovascular diseases

Quantum Genomics is developing a new class of drugs, the Brain Aminopeptidase Inhibitors (BAPAIs), whose mechanisms of action in the central nervous system may open new ways in treating cardiovascular diseases. Quantum Genomics is the only company exploring this approach, and relies on cutting-edge expertise originating from French research institutes (INSERM and College of France). Quantum Genomics currently evaluates its lead drug candidate in 2 clinical programs, one in high blood pressure (QGC001) and another in congestive Heart Failure (QGC101). In September 2016, the company released the results of the Phase 2a study in hypertension, in which QGC001 showed encouraging signs of efficacy (see section below). The other program in heart failure is a multicenter European phase 2a study, for which the company has planned to release preliminary results in the first half of 2018.

Euronext since Jan. 1st, 2017	
Quantum Genomics	-23.9%
Alys France*	-3.9%
Next Biotech	-0.3%
CAC Healthcare.	+4,3%
CAC 40	+0.8%
CAC Small	+2.7%

** Index of French smallcaps (less than €1B market capitalization at time of inclusion) in the healthcare and life sciences sector, listed on Euronext Paris. See:* http://www.aurgalys.com/aurgalys-indices

Quantum Genomics was recently granted a European patent for the use of any drug formulation associating its lead drug candidate QGC001 with most of Angiotensin-Converting Enzyme (ACE) inhibitors and Angiotensin II receptor blockers, which are among the most prescribed antihypertensive drug class. The patent protects the combination until 2032. Quantum Genomics is currently conducting a preclinical program evaluating the potential of different combinations of QGC001 with ACE inhibitors. Such strategy is especially relevant since, a large proportion of hypertensive patients need combinations of different classes of antihypertensive drugs to control their blood pressure. Therefore, developing QGC001 combinations could enhance the drug's therapeutic and commercial potential. For now, Quantum Genomics has not yet communicated a clinical development schedule for this program.

Quantum Genomics's strategy is to license the drug candidates to large pharmaceutical companies, following by phase 2 trial results. Given the innovative approach developed by Quantum Genomics and its positioning in the highly lucrative market of cardiovascular diseases, it is very likely that the company could interest large pharmaceutical firms.

US phase 2 trial coming soon

Between 2015 and 2016, Quantum Genomics performed a phase 2a crossover study assessing QGC001 efficacy in reducing arterial blood pressure on a thirty patients with moderate high blood pressure (Grade 1 and 2). In September 2016, the company announced successful results, as the trial revealed a convergence of positive signals on several endpoints. More especially, the drug demonstrated ability in decreasing daytime systolic blood pressure on patients (ambulatory conditions), compared to placebo. According to Quantum Genomics, these signals were further confirmed by multivariate analysis. This is a major breakthrough for the company, as the results provide the first efficacy data of a BAPAI drug candidate in humans.
Quantum Genomics did not communicate the full data from the study, since the company intends to present them at the European Society of Hypertension conference in June 2017, in Milan, Italy. The company should also provide more information on the statistical analysis of the results, as well as an in-depth analysis of the clinical outcomes, that would help better evaluating QGC001's potential and prospects.

Quantum Genomics has already planned the further development of QGC001 and will launch phase 2 studies on a targeted population. The company plans to design different Phase 2b studies in Europe, in the USA, and probably in Asia, in order to meet the specific requirements from the regulatory authorities in each region.

The US study is expected to start at the end of 2017. Following discussions with FDA experts, the company is currently performing complementary preclinical studies, which are required for the IND filing. According to Quantum Genomics, the US study would include patients of different ethnicities, including African-Americans, Hispanics and Asians, whom are more predisposed to complicated or resistant hypertension, compared to Caucasian patients.

Outlines of the possible phase 2 trials in Europe and Asia still have to be communicated by the company. Quantum Genomics will perform further data analysis on the phase 2a study results to identify predictive biomarkers of QGC001's efficacy, in order to design the European Phase 2b study. The company also stated that the Asian market remains a key territory, and is currently evaluating different options for developing the drug in this region.

Upcoming news flow

- **H1-2017:** IND application for the Phase 2b study in the US with QGC001 (Hypertension)
- **H2-2017:** Initiation of the Phase 2b study in the US with QGC001 (Hypertension)
- **H1-2018:** Preliminary results from the Phase 2a study with QGC101 (Congestive heart failure)

Financials

INCOME STATEMENT (€M)	2014	2015	2016e	2017e	2018e	2019e
Revenue	0.34	0.17	0.00	0.00	8.71	0.29
EBIT	-2.42	-4.31	-5.61	-6.46	1.54	-3.95
Net Income	**-2.21**	**-3.76**	**-4.77**	**-5.49**	**2.56**	**-3.77**

EARNING PER SHARE (€)	2014	2015	2016e	2017e	2018e	2019e
EPS	-0.46	-0.54	-0.57	-0.66	0.31	-0.45
EPS (Diluted)	0.00	-0.50	-0.49	-0.56	0.26	-0.39

CASH FLOW STATEMENT (€M)	2014	2015	2016e	2017e	2018e	2019e
Net Income	**-2.21**	**-3.76**	**-4.77**	**-5.49**	**2.56**	**-3.77**
Cash flow from operating activities	-2.21	-3.14	-4.51	-5.03	2.77	-5.06
Cash flow from investment activities	0.00	-0.37	-0.15	-0.15	-0.15	-0.15
Cash Flow from financing activities	0.00	8.84	8.12	-0.02	-0.22	-0.34
Change in cash	**-2.21**	**5.33**	**3.47**	**-5.19**	**2.40**	**-5.54**

BALANCE SHEET (€M)	2014	2015	2016e	2017e	2018e	2019e
ASSETS						
Non current assets	0.62	0.52	0.59	0.67	0.74	0.82
Current assets	4.13	10.02	13.24	8.11	10.57	5.09
Including cash and cash equivalent	3.32	8.65	12.12	6.93	9.33	3.79
Total Assets	**4.75**	**10.54**	**13.84**	**8.78**	**11.32**	**5.91**
LIABILITIES & SHAREHOLDERS EQUITY						
Total Equity	-0.13	8.02	11.32	5.83	8.39	4.62
Total Liabilities	4.88	2.52	2.52	2.96	2.93	1.29
Total Liabilities and shareholders equity	**4.75**	**10.54**	**13.84**	**8.78**	**11.32**	**5.91**

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