

Quantum Genomics

Financial update

NEW-HOPE data to be presented at AHA

Pharma & biotech

9 October 2018

Price €1.88

Market cap €23m

Net cash (€m) at 30 June 2018 5.9

Shares in issue 12.0m

Free float 85%

Code ALQGX

Primary exchange Euronext Paris

Secondary exchange OTCQX

Share price performance



% 1m 3m 12m

Abs 6.8 (0.5) (35.4)

Rel (local) 6.4 0.8 (34.8)

52-week high/low €3.4 €1.7

Business description

Quantum Genomics is a biopharmaceutical company developing firibastat, a brain aminopeptidase A inhibitor for the treatment of hypertension and heart failure. Its mechanism is implicated in the 25% of patients resistant to treatment. The Phase IIb study in hypertension will read out in November and Phase IIb in heart failure should start by the end of 2018.

Next events

NEW-HOPE data 12 November

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Quantum Genomics has announced that the results of its Phase IIb NEW-HOPE study will be presented in a late-breaking presentation at the American Heart Association (AHA) annual meeting on 10 November 2018. Late-breaking presentations are typically reserved for results that are of high interest or impact and this presentation will help increase the profile of both Quantum Genomics and firibastat with physicians, potential partners and investors. We view it as positive that the trial enrolled much faster than expected and that the results will be presented at AHA in a late-breaking presentation.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/16	0.0	(6.2)	(0.60)	0.0	N/A	N/A
12/17	0.0	(10.3)	(0.93)	0.0	N/A	N/A
12/18e	0.0	(13.1)	(0.86)	0.0	N/A	N/A
12/19e	0.0	(16.2)	(1.00)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Phase IIb hypertension data coming in November

NEW-HOPE is a 256-patient trial that focused enrolment on hypertensive overweight (BMI 25–45kg/m²) patients of multiple ethnic and racial groups, with a primary endpoint of change from baseline in office systolic blood pressure (SBP) at week eight. The company announced in September that the trial had completed enrolment months faster than expected.

Phase IIb heart failure trial to start by end of year

The QUORUM study will enrol 300 subjects from 40 centres in the US and Europe within 24 hours of suffering acute myocardial infarction (AMI), commonly referred to as a heart attack. The primary endpoint will be the change from baseline in the left ventricular ejection fraction after a three-month treatment. It is expected to start by the end of 2018.

Controlled-release formulation in the works

The company is developing a controlled-release formulation of firibastat that would allow it to be administered once a day (currently twice a day). A trial in healthy volunteers to evaluate pharmacokinetics is expected to start by the end of 2018.

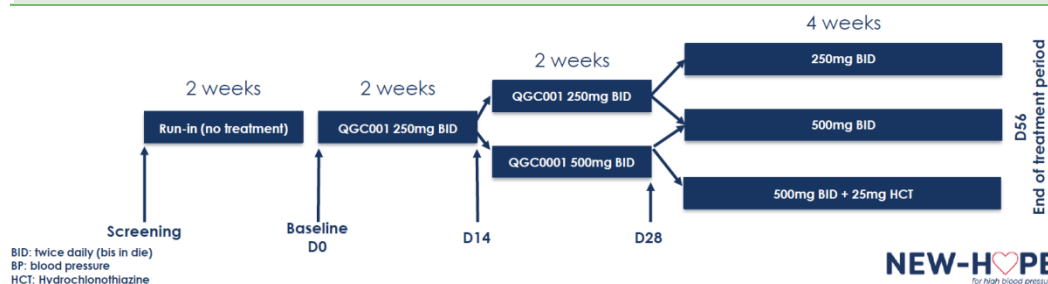
Valuation: €284m or €23.71 per share

We have increased our valuation of Quantum Genomics to €284m or €23.71 per share from €281m or €23.46 per share, mainly due to rolling forward our NPVs, although this was partly mitigated by a reduction in net cash. We expect to update our valuation following the presentation on 10 November and the investor call on 12 November. The company had €6.0m in cash and investments at the end of H118 and has approximately €23.3m available in an equity line from Kepler Cheuvreux, which the company believes will fund it through the end of 2020

A high-profile presentation for NEW-HOPE

The company has announced that the results of its NEW-HOPE study will be presented in a late-breaking presentation at the AHA annual meeting on 10 November 2018 with an investor call to discuss the results on 12 November. The AHA meeting is one of the premier cardiovascular-focused medical conferences and the late-breaking presentation will help increase the profile of both Quantum Genomics and fribastat with physicians, potential partners and investors. As a reminder, the NEW-HOPE trial completed enrolment faster than expected, enrolling 256 patients in just 10 months. NEW-HOPE focused enrolment on hypertensive overweight (BMI 25–45kg/m²) patients, with a primary endpoint of change from baseline in office SBP at week eight. Following a two-week run-in period in which there would be no treatment, SBP had to be 145–170mmHg. Patients start on 250mg twice a day (BID) for two weeks and then either continue at that dose or increase to 500mg BID for another two weeks. Following that, patients go on 250mg BID, 500mg BID or 500mg BID with 25mg of hydrochlorothiazide, an often-used diuretic, added in.

Exhibit 1: NEW-HOPE study design



Source: Quantum Genomics

Valuation

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Exhibit 2: Quantum Genomics valuation table

Product	Main indication	Local	Status	Prob. of success	Launch year	Peak sales (\$m)	Patent protection	rNPV
Firibastat (QGC001)	Hypertension	US	Phase II	20%	2023	\$1,110	2031	€166.97
Firibastat (QGC001)	Hypertension	Europe	Phase II	20%	2023	\$959	2031	€141.65
Firibastat (QGC001)	Development costs							-€132.33
Firibastat (QGC001)	Heart Failure	US	Phase Iib	15%	2023	\$574	2031	€79.84
Firibastat (QGC001)	Heart Failure	Europe	Phase Iib	15%	2023	\$687	2031	€94.73
Firibastat (QGC001)	Development costs							-€72.30
Total								€278.56
Net cash (30 June 2018) (€m)								€5.91
Total firm value (€m)								€284.47
Total shares (31 August 2018) (m)								12.00
Value per basic share (€m)								€23.71

Source: Edison Investment Research

Financials

Quantum Genomics reported an operational loss of €6.8m in H118 compared to €4.5m in H117, with the increase primarily driven by NEW-HOPE. We have increased our operating loss estimate from €10.9m to €12.6m for 2018 due to a higher than expected run rate, but have left later years unchanged as we already model increasing burn rates. The company ended H118 with €6.0m in cash and investments, adding approximately €0.7m from their €24.0m equity line from Kepler Cheuvreux during the half year. At the current run-rate, the company has stated it believes the equity line would fund it through the end of 2020. We believe that this will be dependent on whether additional trials are conducted by the company or a partner. As late-stage cardiovascular trials are extremely expensive to conduct, we expect further development (such as Phase III trials) to be financed via a partnership.

Exhibit 3: Financial summary

	€000s	2016	2017	2018e	2019e
Year end 31 December		PCG	PCG	PCG	PCG
PROFIT & LOSS					
Revenue		0	0	0	0
Cost of Sales		0	0	0	0
Gross Profit		0	0	0	0
EBITDA		(6,216)	(10,292)	(12,622)	(14,792)
Operating Profit (before amort. and except.)		(6,216)	(10,292)	(12,622)	(14,792)
Intangible Amortisation		0	0	0	0
Other		1	0	4	0
Exceptionals		0	0	0	0
Operating Profit		(6,216)	(10,292)	(12,622)	(14,792)
Net Interest		0	0	(485)	(1,445)
Other		18	(176)	(61)	0
Profit Before Tax (norm)		(6,216)	(10,292)	(13,107)	(16,237)
Profit Before Tax (FRS 3)		(6,198)	(10,468)	(13,167)	(16,237)
Tax		958	1,150	1,482	2,111
Deferred tax		0	0	0	0
Profit After Tax (norm)		(5,258)	(9,142)	(11,625)	(14,126)
Profit After Tax (FRS 3)		(5,240)	(9,318)	(11,686)	(14,126)
Average Number of Shares Outstanding (m)		8.7	9.9	13.6	14.1
EPS - normalised (c)		(59.79)	(92.81)	(85.58)	(100.00)
EPS - FRS 3 (€)		(0.60)	(0.95)	(0.86)	(1.00)
Dividend per share (c)		0.0	0.0	0.0	0.0
BALANCE SHEET					
Fixed Assets		701	439	437	437
Intangible Assets		142	91	87	87
Tangible Assets		60	52	59	59
Other		500	296	292	292
Current Assets		13,809	13,478	16,421	14,295
Stocks		1,011	189	139	139
Debtors		1,599	2,197	3,127	3,127
Cash		11,198	11,089	13,155	11,029
Other		1	3	0	0
Current Liabilities		(3,481)	(4,572)	(5,759)	(5,759)
Creditors		(3,480)	(4,571)	(5,758)	(5,758)
Short term borrowings		(1)	(1)	(1)	(1)
Long Term Liabilities		(506)	(474)	(6,626)	(18,626)
Long term borrowings		(18)	(19)	(6,060)	(18,060)
Other long term liabilities		(488)	(454)	(566)	(566)
Net Assets		10,524	8,871	4,473	(9,653)
CASH FLOW					
Operating Cash Flow		(5,531)	(7,977)	(9,863)	(14,112)
Net Interest		0	0	0	0
Tax		0	0	0	0
Capex		(66)	32	(14)	(14)
Acquisitions/disposals		0	0	0	0
Financing		7,744	7,733	6,000	0
Dividends		0	0	0	0
Other		399	104	(57)	0
Net Cash Flow		2,546	(108)	(3,934)	(14,126)
Opening net debt/(cash)		(8,573)	(11,179)	(11,069)	(7,094)
HP finance leases initiated		0	0	0	0
Exchange rate movements		0	0	0	0
Other		60	-2	-41	0
Closing net debt/(cash)		(11,179)	(11,069)	(7,094)	7,032

Source: Edison Investment Research, company reports

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