

Quantum Genomics

France | Pharma & biotech | MCAPEUR 69.2m

07 May 2020

Buy

Target Price	EUR 7.10
Current Price	EUR 3.50
Up/downside	102.9%
Change in TP	none
Change in EPS	none 20E / none 21E

Positive outcomes for patients with kidney failure

Comorbidity among HTN and HF patients with renal failure is high. Quantum Genomics conducted a trial (QGC001/1QG4) to assess the safety of its Firibastat among this particular population. The positive results released reinforce the safety data obtained in phase IIb in HTN.

QGC001/1QG4

In September 2019, Quantum launched a clinical trial on 14 patients with end-stage renal failure (final stage of chronic kidney disease) and 14 healthy volunteers with normal renal function. The aim of the study was to demonstrate that Firibastat could be used on patients with hypertension (HTN) or heart failure (HF) associated to kidney failure. Note that due to the current pandemic, all healthy volunteers could not be recruited. However, the interim results of the study show a longer persistence of Firibastat (longer half-life) and its main metabolites due to the failure of the kidneys to eliminate them. Nevertheless, the maximum concentration of Firibastat observed is not significantly higher than in healthy volunteers while the product appears to be well tolerated by patients. The data suggests that a potential dose adjustment of Firibastat may allow the use of the product in these patients. The final analysis will ensure these results. These results reinforce the safety data obtained in the phase IIb NEW-HOPE study in HTN.

High comorbidity

Renal failure is an important comorbidity among patients with hypertension or heart failure. There is a close relationship between the heart and kidney with accumulating evidence that dysfunction of one organ negatively affects the other. According to The European Society of Cardiology (2015), heart failure and chronic kidney disease (CKD) commonly coexist in 26% to 63% of heart failure patients (16%-40% according to QG). Moreover, approximately 30% of patients with hypertension will have CKD (15%-20% according to QG).

Valuation and TP

Our estimations are based on patients with HF or HTN whether or not associated with CKD. Our rNPV-based valuation of Quantum stands at EUR7.1 per share. We focus our rNPV of Firibastat based on two clinical programmes: HTN (46.7% likelihood of approval, LoA) and HF (11.2% LoA). The stock could benefit from rich newsflow in the coming months, with the main catalyst expected for H2 2020E: the preliminary results from QUORUM and potential outlicensing deal(s).

Pierre-Alexandre Desir

Equity Research Analyst

padesir@keplercheuvreux.com

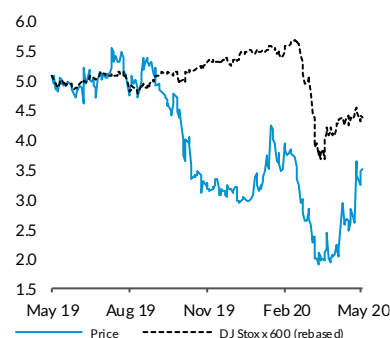
+33 1 70 81 57 61

Market data

Bloomberg: ALQGC FP	Reuters: ALQGC.PA
Market cap (EURm)	69
Free float	86%
No. of shares outstanding (m)	20
Avg. daily volume (EURm)	0.8
YTD abs performance	3.6%
52-week high/low (EUR)	5.55/1.88

FY to 31/12 (EUR)	12/20E	12/21E	12/22E
Sales (m)	25.0	60.0	0.0
EBITDA adj (m)	2.5	37.8	-16.9
EBIT adj (m)	2.3	37.6	-17.0
Net profit adj (m)	1.4	35.4	-14.6
Net debt (m)	-19.5	-53.9	-38.5
FCF (m)	0.3	34.5	-15.4
EPS adj. and fully dil.	0.07	1.79	-0.74
Consensus EPS	-0.54	-0.33	-0.38
Net dividend	0.00	0.00	0.00

FY to 31/12 (EUR)	12/20E	12/21E	12/22E
P/E adj and ful. dil.	47.9	2.0	na
EV/EBITDA	20.1	0.4	na
EV/EBIT	21.6	0.4	na
FCF yield	0.4%	49.8%	-22.2%
Dividend yield	0.0%	0.0%	0.0%
Net debt/EBITDA	-7.9	-1.4	2.3
Gearing	-99.2%	-97.9%	-95.3%
ROIC	na	na	-874.3%
EV/IC	na	12.1	15.0



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Key financials

FY to 31/12 (EUR)	12/15	12/16	12/17	12/18	12/19	12/20E	12/21E	12/22E
Income Statement (EURm)								
Sales	0.2	0.0	0.0	0.1	0.4	25.0	60.0	0.0
% Change	-50.9%	-89.8%	49.9%	177.5%	406.8%	6822.6%	140.0%	-chg
EBITDA adjusted	-4.3	-6.2	-10.2	-13.3	-10.5	2.5	37.8	-16.9
EBITDA margin adj. (%)	na	na	na	na	na	9.9%	63.0%	na
EBIT adjusted	-4.3	-6.2	-10.3	-13.6	-10.8	2.3	37.6	-17.0
EBIT margin adj. (%)	na	na	na	na	na	9.2%	62.7%	na
Net financial items & associates	-0.2	0.0	-0.1	0.1	0.0	0.0	0.0	0.0
Others	0.0	0.0	-0.2	0.0	0.1	0.0	0.0	0.0
Tax	0.7	1.0	1.1	1.5	1.5	-0.9	-2.2	2.4
Net profit from continuing operations	-3.8	-5.2	-9.4	-12.0	-9.1	1.4	35.4	-14.6
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	-3.8	-5.2	-9.4	-12.0	-9.1	1.4	35.4	-14.6
Net profit reported	-3.8	-5.2	-9.4	-12.0	-9.1	1.4	35.4	-14.6
Net profit adjusted	-3.8	-5.2	-9.4	-12.0	-9.1	1.4	35.4	-14.6
Cash Flow Statement (EURm)								
Levered post tax CF before capex	-3.4	-5.5	-8.1	-10.8	-10.1	0.6	34.8	-15.1
Capex	-0.4	-0.2	0.1	-0.2	0.0	-0.3	-0.3	-0.3
Free cash flow	-3.7	-5.7	-7.9	-11.0	-10.2	0.3	34.5	-15.4
Acquisitions & divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	8.8	8.3	7.7	14.8	7.0	8.0	0.0	0.0
Change in net financial debt	-5.1	-2.5	0.2	-3.9	3.1	-8.3	-34.5	15.4
Balance Sheet (EURm)								
Intangible assets	0.1	0.1	0.1	0.0	0.4	0.4	0.4	0.4
Tangible assets	0.1	0.1	0.1	0.0	0.0	0.1	0.3	0.4
Financial & other non-current assets	0.4	0.5	0.3	0.6	0.5	0.5	0.5	0.5
Total shareholders' equity	8.0	10.5	8.9	11.9	10.2	19.6	55.1	40.4
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	2.5	4.0	5.0	6.6	4.9	3.9	3.1	2.4
Net debt	-8.7	-11.2	-11.1	-14.8	-11.2	-19.5	-53.9	-38.5
Net financial debt	-8.7	-11.2	-11.1	-14.8	-11.2	-19.5	-53.9	-38.5
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net working capital	-0.4	-0.1	-1.4	-2.3	-0.9	0.2	1.0	1.6
Invested capital	-0.4	0.0	-1.3	-2.2	-0.9	0.3	1.3	2.0
Per share data (EUR)								
EPS adjusted	-0.54	-0.62	-0.85	-0.76	-0.53	0.07	1.79	-0.74
EPS adj and fully diluted	-0.54	-0.62	-0.85	-0.76	-0.53	0.07	1.79	-0.74
% Change	-chg	-chg	-chg	+chg	+chg	+chg	2351.7%	-chg
EPS reported	-0.54	-0.62	-0.85	-0.76	-0.53	0.07	1.79	-0.74
Cash flow per share	-0.48	-0.66	-0.73	-0.68	-0.59	0.03	1.76	-0.76
Book value per share	1.16	1.25	0.81	0.75	0.59	0.99	2.78	2.04
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Number of shares, YE (m)	6.93	8.39	10.99	15.77	17.15	19.78	19.78	19.78
Ratios								
ROE (%)	-54.4%	-56.5%	-96.7%	-115.6%	-82.4%	9.7%	94.9%	-30.6%
ROIC (%)	na	na	na	na	na	na	na	-874.3%
Net debt / EBITDA (x)	2.0	1.8	1.1	1.1	1.1	-7.9	-1.4	2.3
Gearing (%)	-107.8%	-106.4%	-125.0%	-124.7%	-109.8%	-99.2%	-97.9%	-95.3%
Valuation								
P/E adjusted	na	na	na	na	na	47.9	2.0	na
P/E adjusted and fully diluted	na	na	na	na	na	47.9	2.0	na
P/BV	7.2	5.0	5.8	3.5	7.7	3.5	1.3	1.7
P/CF	na	na	na	na	na	na	2.0	na
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield preference shares (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	-6.4%	-10.9%	-15.5%	-26.6%	-12.9%	0.4%	49.8%	-22.2%
EV/Sales	na	na	na	na	na	2.0	0.3	na
EV/EBITDA adj.	na	na	na	na	na	20.1	0.4	na
EV/EBIT adj.	na	na	na	na	na	21.6	0.4	na

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Companies mentioned

Stock	ISIN	Currency	Price
Quantum Genomics	FR0011648971	EUR	3.50

Source: Factset closing prices of 06/05/2020

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Rating Breakdown	A	B
Buy	50%	67%
Hold	35%	22%
Reduce	13%	5%
Not Rated/Under Review/Accept Offer	2%	6%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

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Company Name	Date	Business Line	Rating	Target Price	Closing Price
Quantum Genomics (EUR)	25/10/2019 07:06	Equity Research	Buy	7.70	3.39
	27/03/2020 08:57	Equity Research	Buy	7.10	2.44

Credit research does not issue target prices. Left intentionally blank.

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Hold: The expected upside is below 10% (the expected upside could be higher in light of the company's risk profile).

Reduce: There is an expected downside.

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Amsterdam

Kepler Cheuvreux Benelux
 Johannes Vermeerstraat 9
 1071 DK Amsterdam
 +31 20 573 06 66

Brussels

Kepler Cheuvreux
 Rogier Tower
 Place Rogier 11
 1210 Brussels, Belgium
 +32 11 491460

Frankfurt

Kepler Cheuvreux Germany
 Taunusanlage 18
 60325 Frankfurt
 +49 69 756 960

Geneva

Kepler Cheuvreux SA
 Route de Crassier 11
 1262 - Eysins
 Switzerland
 +41 22361 5151

London

Kepler Cheuvreux UK
 5th Floor
 95 Gresham Street
 London EC2V 7NA
 +44 20 7621 5100

Madrid

Kepler Cheuvreux Espana
 Paseo de la Castellana, 52
 28046 Madrid
 +34 914 36 5100

Milan

Kepler Cheuvreux Italia
 Via C. Cornaggia 10
 20123 Milano
 +39 02 8550 7201

Oslo

Kepler Cheuvreux Norway
 Filipstad Brygge 1
 Pb. 1671 Vika
 0120 Oslo
 +47 23 13 9080

Paris

Kepler Cheuvreux France
 112 Avenue Kleber
 75016 Paris
 +33 1 53 65 35 00

Stockholm

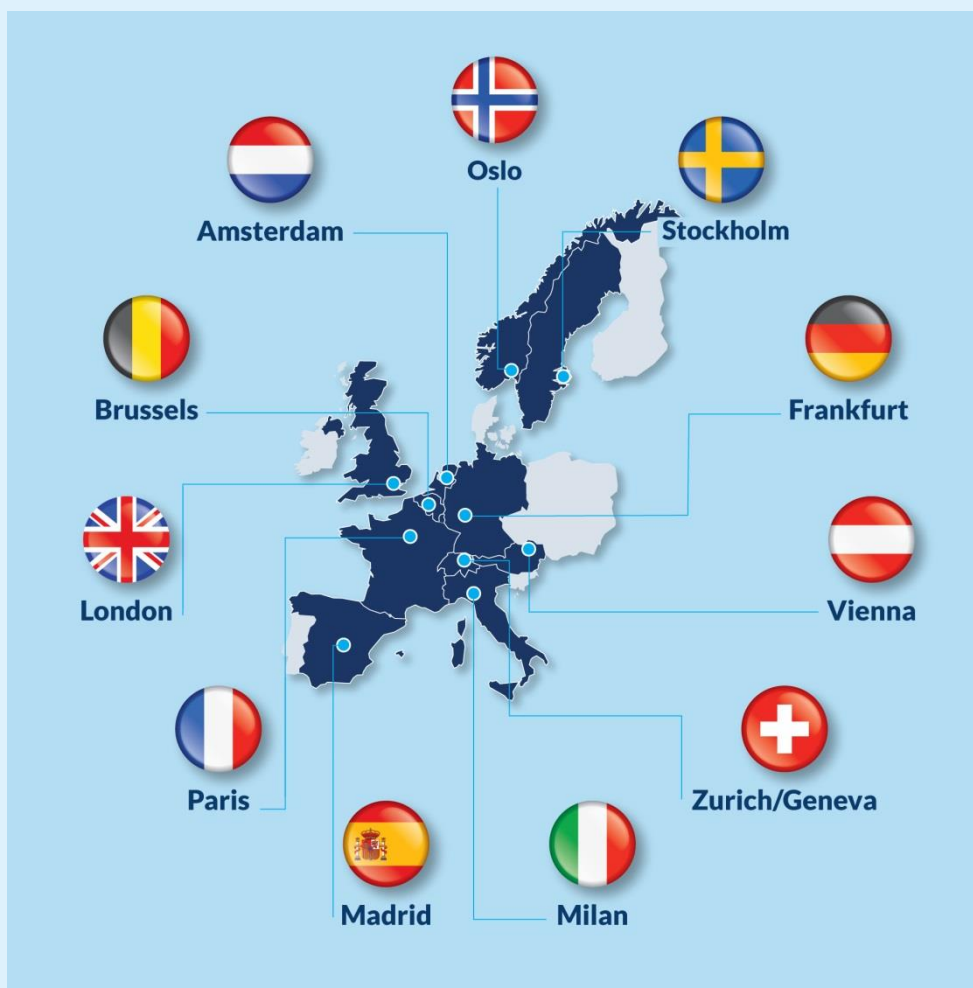
Kepler Cheuvreux Sweden
 Malmkillnadsgatan 23
 11157 Stockholm
 +468 723 51 00

Vienna

Kepler Cheuvreux Vienna
 Schottenring 16/2
 Vienna 1010
 +43 1 537 124 147

Zurich

Kepler Cheuvreux Switzerland
 Stadelhoferstrasse 22
 Postfach
 8024 Zurich
 +41 43 333 66 66



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North America

Boston

Kepler Capital Markets, Inc.
 225 Franklin Street, Floor 26
 Boston, MA 02110
 +1 617 217 2615

New York

Kepler Capital Markets, Inc.
 Tower 49
 12 East 49th Street, Floor 36
 10017 New York, NY USA
 +1 212 710 7600

