EDISON

Quantum Genomics

Development update

Potentially transformational data in August

Pharma & biotech

Phase IIb data from the QUORUM study in heart failure (HF) patients will be presented at the European Society of Cardiology meeting, which will be held virtually from 27–30 August. If positive, we believe this data may be truly transformational for the company and we would expect partnership discussions to intensify with some of the global players in the cardiovascular space.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/19	0.0	(10.8)	(0.53)	0.0	N/A	N/A
12/20	1.2	(13.9)	(0.50)	0.0	N/A	N/A
12/21e	0.8	(20.8)	(0.65)	0.0	N/A	N/A
12/22e	0.0	(22.5)	(0.68)	0.0	N/A	N/A

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

The Phase IIb QUORUM study

The Phase IIb QUORUM study enrolled 295 subjects from 35 centres within 72 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 (LVEF) after a three-month treatment. Patients either received 100mg of firibastat twice a day (BID), 500mg of firibastat BID or 5mg of ramipril BID.

Phase III FRESH study data by year-end

The pivotal FRESH study is a three-month, 500-patient study comparing firibastat to placebo in difficult-to-treat or resistant hypertension patients who are already on treatments from two or three anti-hypertensive classes (firibastat or placebo will be added on top of the current treatment) yet still have systolic automated office blood pressure (AOBP) above 140mmHg. The primary endpoint will be a change from baseline in systolic AOBP. Data are expected by the end of 2021.

Pivotal REFRESH study has enrolled first patient

Quantum Genomics recently announced that the first patient has been enrolled in the REFRESH pivotal Phase III study, which is designed to recruit 750 patients with difficult-to-treat or resistant hypertension. The study will test a 1,000mg once-daily formulation of firibastat (compared to two 250mg capsules BID in the FRESH study) and includes a six-month safety follow-up period (following the initial three-month treatment period) for all patients and 12-month follow up for 100 patients. The primary endpoint will be the change in systolic AOBP from baseline. Efficacy data is expected in mid-2023.

Valuation: €982m or €36.53 per share

We maintain our valuation of €982m or €36.53 per share. We expect to revisit our valuation following the QUORUM data in August. If positive, our valuation could have a significant uplift. For instance, changing our 20% probability of success (PoS) for the HF programme to 50% (in line with the hypertension PoS) would yield a new valuation for the company of approximately €1.4bn or €52.50 per share.

12 July 2021

Price	**€3.80**
Market cap	**€102m**

Net cash (€m) at 31 December 2020	27.1
Shares in issue	26.9m
Free float	90.4%
Code	ALQGC
Primary exchange	Euronext Paris
Secondary exchange	OTCQX

Share price performance

%	1m	3m	12m
Abs	(0.1)	(19.7)	40.7
Rel (local)	0.4	(23.7)	6.6
52-week high/low		€5.54	€2.20

Business description

Quantum Genomics is a biopharmaceutical company developing firibastat, a brain aminopeptidase A inhibitor for treating hypertension and heart failure. Its mechanism is implicated in the 25% of patients resistant to treatment. The Phase III programme will consist of two trials, one of which should readout by the end of 2021. The company is also expecting data from its Phase IIb in heart failure patients in Q321.

Next events

QUORUM Phase IIb data	August

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Edison profile page

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Awaiting QUORUM data in August

Quantum Genomics is going to present data from the Phase IIb QUORUM study at the European Society of Cardiology meeting, which will be held virtually from 27–30 August. The QUORUM study is assessing the safety and efficacy of Quantum's drug firibastat compared to ramipril, an angiotensin-converting enzyme inhibitor, in 295 subjects enrolled within 72 hours of suffering AMI, who were treated with primary percutaneous coronary intervention (within 24 hours of the AMI) and have reduced LVEF. There are three arms in this randomised, double-blind, active-controlled study with patients receiving either 100mg of firibastat BID, 500mg of firibastat BID or 5mg of ramipril BID. The primary endpoint is the change from baseline in LVEF after a three-month treatment. Secondary endpoints will include cardiac events, functional status and change in heart failure biomarkers. If trial results are positive, we believe this data may be truly transformational for the company and would expect partnership discussions to intensify with some of the global players in the cardiovascular space. Note that the Novartis drug Entresto, which is approved for heart failure, had $2.5bn in sales in 2020 and is expected to achieve $5.5bn in sales by 2026 (according to Evaluate Pharma).

We are also expecting data from the pivotal FRESH study by the end of the year. It is a three-month, 500-patient study comparing 500mg BID of firibastat to placebo in difficult-to-treat or resistant hypertension patients who are already on treatments from two or three anti-hypertensive classes (firibastat or placebo will be added on top of the current treatment) yet still have systolic AOBP above 140mmHg. The primary endpoint will be a change from baseline in systolic AOBP.

The company also recently announced that the first patient in the REFRESH study was enrolled. REFRESH is being conducted in 750 patients with difficult-to-treat or resistant hypertension. The study will test a 1,000mg once-daily formulation of firibastat (compared to two 250mg capsules BID in the FRESH study) and includes a six-month safety follow-up period (following the initial three-month treatment period) for all patients and 12-month follow up for 100 patients. The primary endpoint will be the change in systolic AOBP from baseline. Efficacy data is expected in mid-2023.

Valuation

We are currently maintaining our valuation of €982m or €36.53 per share, with the hypertension indication currently accounting for almost 80% of our valuation, with less than 20% coming from the heart failure indication due to the lack of previous data. We expect to revisit this following the QUORUM data in August. If the data are positive, our valuation could have a significant uplift. For instance, changing our 20% probability of success for the heart failure programme to 50% (in line with the probability applied in hypertension) would yield a new valuation for the company of approximately €1.4bn or €52.50 per share (heart failure would be 44% of the value of the company). Positive data from the FRESH study (expected by the end of the year) would affect our valuation even further.

Exhibit 1: Quantum Genomics valuation table

Product	Main indication	Local	Status	Probability of success	Launch year	Peak sales ($m)	Patent protection	rNPV (€m)
Firibastat	Hypertension	US	Phase III	50%	2024	$1,043	2031	515
Firibastat	Hypertension	Europe	Phase III	50%	2024	$901	2031	440
Firibastat	Development costs							(187)
Firibastat	Heart failure	US	Phase IIb	20%	2024	$539	2031	131
Firibastat	Heart failure	Europe	Phase IIb	20%	2024	$645	2031	157
Firibastat	Development costs							(101)
Total								955
Net cash at 31 December 2020 (€m)								27
Total firm value (€m)								982
Total shares (1 May 2021) (m)								26.9
Value per basic share (€)								36.53

Source: Edison Investment Research

Financials

Quantum had €27.1m in net cash at the end of 2020. In February, the company announced that Orient EuroPharma, the previously announced partner for South-East Asia (specifically, Taiwan, Malaysia, the Philippines, Singapore, Vietnam, Indonesia, Myanmar and Cambodia), Australia and New Zealand, acquired an €870,000 equity stake in Quantum Genomics. In April, the company announced €3m in non-dilutive funding. BNP bank issued a €1.5m loan guaranteed by the French government with a maturity of 12 months at an interest rate of 0.25%. The company has the option to amortise the amount over five years. BPI France also issued a €1.5m R&D and innovation loan for a period of 7.6 years with 0.72% interest. Repayments are scheduled to begin on 31 December 2023.

We forecast €17m in additional financing to the end of 2021 (previously €20m), which we model as illustrative debt. The need for additional funding past this point will depend on the QUORUM and FRESH data and the company's ability to sign additional partnerships. Assuming no meaningful partnerships, we model a financing need of an additional €50m after 2021 to cover the company's expenditures through to profitability.

Exhibit 2: Financial summary

€000s	2019	2020	2021e	2022e
Year end 31 December	PCG	PCG	PCG	PCG
PROFIT & LOSS				
Revenue	0	1,203	800	0
Cost of Sales	0	0	0	0
Gross Profit	0	1,203	800	0
EBITDA	(10,760)	(13,858)	(20,772)	(22,477)
Operating Profit (before amort. and except.)	(10,760)	(13,858)	(20,772)	(22,477)
Intangible Amortisation	0	0	0	0
Other	(0)	0	0	0
Exceptionals	123	178	0	0
Operating Profit	(10,637)	(13,679)	(20,772)	(22,477)
Net Interest	0	0	0	0
Other	11	(5)	0	31
Profit Before Tax (norm)	(10,760)	(13,858)	(20,772)	(22,477)
Profit Before Tax (FRS 3)	(10,626)	(13,684)	(20,772)	(22,446)
Tax	1,547	2,148	2,700	2,922
Deferred tax	0	0	0	0
Profit After Tax (norm)	(9,213)	(11,710)	(18,072)	(19,555)
Profit After Tax (FRS 3)	(9,078)	(11,537)	(18,072)	(19,524)
Average Number of Shares Outstanding (m)	17.5	23.5	27.8	28.9
EPS - normalised (€)	(0.53)	(0.50)	(0.65)	(0.68)
EPS - FRS 3 (€)	(0.52)	(0.49)	(0.65)	(0.68)
Dividend per share (c)	0.0	0.0	0.0	0.0
BALANCE SHEET				
Fixed Assets	884	1,454	1,859	2,166
Intangible Assets	360	760	760	760
Tangible Assets	27	27	431	739
Other	497	667	667	667
Current Assets	14,222	33,498	35,891	41,028
Stocks	333	1,747	1,747	1,747
Debtors	2,486	4,328	4,328	4,328
Cash	11,164	27,153	29,546	34,683
Other	239	270	270	270
Current Liabilities	(4,061)	(6,758)	(6,756)	(6,756)
Creditors	(4,060)	(6,756)	(6,756)	(6,756)
Short term borrowings	(1)	(2)	0	0
Long Term Liabilities	(874)	(1,059)	(21,059)	(46,059)
Long term borrowings	(6)	(5)	(20,005)	(45,005)
Other long term liabilities	(869)	(1,054)	(1,054)	(1,054)
Net Assets	10,171	27,135	9,934	(9,621)
CASH FLOW				
Operating Cash Flow	(10,665)	(11,958)	(18,065)	(19,451)
Net Interest	0	0	0	0
Tax	0	0	0	0
Capex	(118)	(411)	(411)	(411)
Acquisitions/disposals	0	0	0	0
Financing	7,382	28,501	870	0
Dividends	0	0	0	0
Other	(232)	(143)	0	0
Net Cash Flow	(3,633)	15,989	(17,606)	(19,862)
Opening net debt/(cash)	(14,783)	(11,157)	(27,146)	(9,541)
HP finance leases initiated	0	0	0	0
Exchange rate movements	0	0	0	0
Other	7	(1)	1	0
Closing net debt/(cash)	(11,157)	(27,146)	(9,541)	10,322

Source: company reports, Edison Investment Research

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