

Oryzon Genomics

ORY-2001 and ORY-3001 next in focus

Q117 business update

Pharma & biotech

Oryzon's Q117 financial results were broadly in line with our expectations. The company's partner, Roche is now solely responsible for ORY-1001's development; it is conducting a Phase I trial in small cell lung cancer (SCLC) and can expand into other indications. Meanwhile, Oryzon is now focusing its internal R&D efforts on ORY-2001 for neurodegenerative diseases and ORY-3001 for as yet undisclosed non-cancer indications. Our valuation is slightly higher at €312m.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/15	7.2	(0.1)	(0.01)	0.0	N/A	N/A
12/16	5.0	(4.7)	(0.17)	0.0	N/A	N/A
12/17e	4.2	(6.1)	(0.20)	0.0	N/A	N/A
12/18e	4.5	(6.8)	(0.20)	0.0	N/A	N/A

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

Financials: Q117 results broadly in line

With its Q117 business update Oryzon reported minimal revenues of €17k from Roche as a reimbursement for the R&D collaboration on LSD1 inhibition. In addition, the company recorded €1.2m income to account for the capitalisation of development costs (Oryzon follows Spanish GAAP), while the remaining €0.2m came from grants. Oryzon reported Q117 R&D costs of €1.5m and personnel expenses of €777k. The Q117 operating loss of €939k largely met our expectations. We make no changes to our forecasts and we have already included the recent €18m fundraising in our model. We continue to forecast a cash reach to H219/early 2020 (€27.9m end-Q117 cash plus €18.2m fundraising in April; €19.2m net cash).

ORY-2001 and ORY-3001 in focus next

Oryzon is now focusing its internal R&D efforts on ORY-2001 (a dual LSD1/MAO B inhibitor) and ORY-3001 (a selective LSD1 inhibitor), while ORY-1001 (the most advanced LSD1 inhibitor) is now in Roche's hands following a positive Phase I/IIa trial in acute leukaemia in December 2016, according to the licensing deal terms in April 2014. ORY-2001 is being developed for neurodegenerative diseases and, having obtained a supportive safety profile in the Phase I study, Oryzon now aims to ramp up the clinical programme and initiate trials in multiple sclerosis, Alzheimer's disease and Huntington's disease. ORY-3001 is in advanced preclinical studies in as yet undisclosed non-cancer indications. The catalysts over the next 12 to 24 months include the progress in the SCLC trial run by Roche and potential expansion in other indications; initiation of Phase II trials in neurodegenerative disorders with ORY-2001, which could deliver proof-of-concept in 2019; and new preclinical candidates entering the clinic and delivering first human data (ORY-3001 is the most advanced).

Valuation: Slightly increased to €312m or €9.1/share

We value Oryzon at €312m or €9.1/share compared to our previous valuation of €308m or €9.0/share due to rolling our model forward, offset slightly by lower net cash. We make no changes to our valuation assumptions, as detailed in our recent [outlook report](#).

22 May 2017

Price €3.08
Market cap €105m

Estimated net cash (€m) at end Q117 (including term deposits) + fundraising of €18.2m in April 2017 19.2

Shares in issue 34.2m

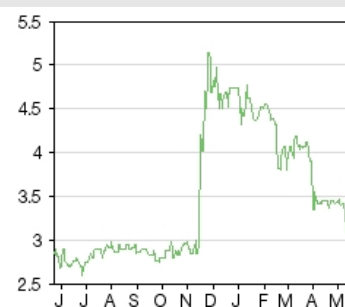
Free float 50%

Code ORY

Primary exchange Madrid Stock Exchange

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (9.7) (19.2) 6.2

Rel (local) (13.6) (29.2) (15.0)

52-week high/low €5.1 €2.6

Business description

Oryzon Genomics is a Spanish biotechnology company focused on developing novel epigenetic compounds. Lead compound ORY-1001 is partnered with Roche, which is responsible for further development and is currently conducting a clinical trial in SCLC, but could expand it into other indications. ORY-2001, which has potential for several neurodegenerative diseases, is finishing Phase I. ORY-3001 is a new preclinical asset.

Next events

Initiation of Phase II trials with ORY-2001 in selected indications H217

News from Roche on ORY-1001 in AML 2017

ORY-3001 regulatory tox package 2017

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Oryzon Genomics is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	EUR'000s	2013	2014	2015	2016	2017e	2018e
December		Local GAAP	Local GAAP	Local GAAP	Local GAAP	Local GAAP	Local GAAP
PROFIT & LOSS							
Revenue		2,360	15,536	7,185	5,009	4,156	4,515
Cost of Sales		0	0	0	0	0	0
Gross Profit		2,360	15,536	7,185	5,009	4,156	4,515
Research and development		(873)	(1,108)	(3,191)	(5,210)	(5,274)	(6,041)
EBITDA		(94)	11,659	688	(3,721)	(4,749)	(5,537)
Operating Profit (before amort. and except.)		(370)	11,398	448	(3,879)	(4,845)	(5,633)
Intangible Amortisation		(657)	(657)	(657)	(695)	(938)	(1,049)
Exceptionals		(186)	(4,617)	(24)	(4)	0	0
Other		0	0	0	0	0	0
Operating Profit		(1,213)	6,124	(233)	(4,578)	(5,783)	(6,682)
Exceptionals		0	667	(169)	(58)	0	0
Net Interest		(672)	(52)	(553)	(844)	(1,269)	(1,214)
Profit Before Tax (norm)		(1,042)	11,346	(105)	(4,724)	(6,115)	(6,847)
Profit Before Tax (reported)		(1,885)	6,739	(955)	(5,480)	(7,052)	(7,896)
Tax		89	(88)	(37)	32	0	0
Profit After Tax (norm)		(953)	11,258	(142)	(4,692)	(6,115)	(6,847)
Profit After Tax (reported)		(1,796)	6,651	(992)	(5,448)	(7,052)	(7,896)
Average Number of Shares Outstanding (m)		23.0	23.3	24.7	27.6	31.3	34.2
EPS - normalised (EUR)		(0.04)	0.48	(0.01)	(0.17)	(0.20)	(0.20)
EPS - (reported) (EUR)		(0.08)	0.29	(0.04)	(0.20)	(0.23)	(0.23)
Dividend per share (EUR)		0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		100.0	100.0	100.0	100.0	100.0	100.0
EBITDA Margin (%)		N/A	75.0	9.6	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	73.4	6.2	N/A	N/A	N/A
BALANCE SHEET							
Fixed Assets		20,128	16,059	18,050	21,269	24,390	27,760
Intangible Assets		15,825	12,928	15,188	18,810	22,028	25,494
Tangible Assets		1,159	981	854	696	600	503
Investments		3,145	2,150	2,008	1,763	1,763	1,763
Current Assets		2,851	9,999	22,681	28,475	40,212	27,751
Stocks		2	9	4	8	6	7
Debtors		663	704	940	978	959	969
Cash		2,033	3,633	19,467	22,028	33,786	26,776
Other*		153	5,654	2,270	5,461	5,461	0
Current Liabilities		(2,724)	(3,969)	(5,296)	(7,597)	(12,557)	(13,277)
Creditors		(1,005)	(1,299)	(2,401)	(2,119)	(2,080)	(2,100)
Short term borrowings		(1,719)	(2,670)	(2,895)	(5,477)	(10,477)	(11,177)
Long Term Liabilities		(11,251)	(8,196)	(7,841)	(19,419)	(19,419)	(18,719)
Long term borrowings		(9,117)	(6,420)	(6,177)	(17,723)	(17,723)	(17,023)
Other long term liabilities		(2,134)	(1,776)	(1,664)	(1,696)	(1,696)	(1,696)
Net Assets		9,004	13,893	27,594	22,729	32,625	23,515
CASH FLOW							
Operating Cash Flow		(113)	12,178	1,076	(4,536)	(6,036)	(6,742)
Net Interest		(672)	(52)	(553)	(471)	(1,269)	(1,214)
Tax		0	0	0	0	0	0
Capex		0	0	0	(28)	0	0
Acquisitions/disposals		(677)	798	0	0	0	0
Financing		0	0	14,725	287	18,219	0
Other**		(161)	(9,579)	605	(6,819)	(4,156)	946
Dividends		0	0	0	0	0	0
Net Cash Flow		(1,623)	3,345	15,853	(11,567)	6,758	(7,010)
Opening net debt/(cash)		7,180	8,803	5,458	(10,395)	1,172	(5,585)
HP finance leases initiated		0	0	0	0	0	0
Other		0	0	0	0	0	0
Closing net debt/(cash)		8,803	5,458	(10,395)	1,172	(5,585)	1,425

Source: Edison Investment Research, Oryzon Genomics accounts. Note: Oryzon reports in Spanish GAAP. *Term deposits classed as other current assets. **Includes cash outflows related to development costs that were capitalised.

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