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COMPANY NOTE | EQUITY RESEARCH | October 1, 2024

Healthcare: Biotechnology

Company Update

Oryzon Genomics SA | ORY.SM-€1.73-MADRID | *Buy*

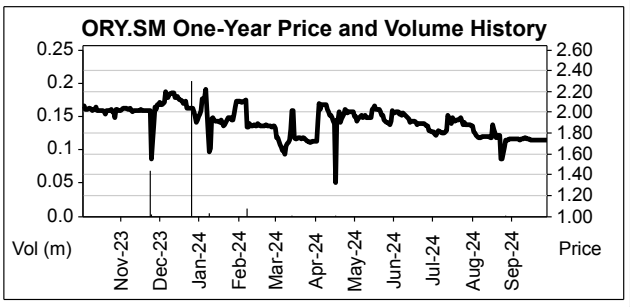
Stock Data	
52-Week Low - High	€1.41-€2.44
Shares Out. (mil)	64.66
Mkt. Cap.(mil)	€133.73
3-Mo. Avg. Vol.	15
12-Mo.Price Target	€12.00
Cash (mil)	€10.1
Tot. Debt (mil)	€18.1

Rev ($M)

Yr Dec	— 2023—	— 2024E—	— 2025E—
		Curr	Curr
1Q	0.0A	0.0A	-
2Q	0.0A	0.0A	-
3Q	0.0A	0.0E	-
4Q	0.0A	0.0E	-
YEAR	0.0A	0.0E	0.0E

EPS $

Yr Dec	— 2023—	— 2024E—	— 2025E—
		Curr	Curr
1Q	(0.03)A	(0.02)A	-
2Q	0.02A	0.00A	-
3Q	(0.02)A	(0.02)E	-
4Q	(0.03)A	(0.02)E	-
YEAR	(0.06)A	(0.06)E	(0.10)E
P/E	NM	NM	NM



ORY: Defines Favorable BPD Phase 3 Path Forward Using STAXI-2 Primary Endpoint

A Phase 3 path forward has been defined for vafidemstat in BPD, and ORY may use STAXI-2 as its sole primary endpoint. The Phase 2b PORTICO trial evaluating vafidemstat in BPD missed its two primary endpoints, but statistically achieved two secondary endpoints (BEST (p=0.026) and STAXI-2 (p=0.007) at weeks 8-12). We are therefore optimistic about the pivotal program's outcome and project enrollment to begin in 2Q25, after ORY and the FDA agree to additional details on the two required 350-patient, 18-week Phase 3 trials.

- Final PORTICO results were recently presented and in conjunction with a positive outcome from ORY's recent end-of-Phase 2 meeting with the FDA (meeting minutes were described in a press release today, followed by a corporate conference call), a Phase 3 path forward has been defined. The meeting's most important detail is that ORY may use STAXI-2 as its sole primary endpoint. The Phase 2b PORTICO trial evaluating vafidemstat versus placebo in BPD missed its two primary endpoints (BPDCL and CGI-S A/A), but statistically achieved two secondary endpoints (BEST (p=0.026) and STAXI-2 (p=0.007) at weeks 8-12). Also for STAXI-2, there was a 58.6% relative reduction over placebo at weeks 8-12, with p=0.006 and relative reduction over placebo of 92.1% at week 10, and p=0.016 and 57.1% relative reduction over placebo at week 12. Also, every efficacy endpoint at least favored vafidemstat over placebo, with vafidemstat being safe and well tolerated. Use of STAXI-2 should not be commercially restrictive given that at least 70% of BPD patients exhibit a clinically meaningful level of agitation-aggression. Each Phase 3 trial will randomize 1:1 350 BPD patients and treat for 18 weeks (versus 12 weeks for Phase 2b). Secondary endpoints will include both patient-rated and clinician-rated scales, as CGI-S A/A to assess agitation/aggression, and BEST and CGI-S to assess overall BPD improvement.
- To best justify the choice of endpoints, ORY must also conduct a Qualitative Research Study using a subset of Phase 3 PORTICO-2 patients to provide further validation of the proposed endpoints, and the company will submit the Qualitative Research Study protocol prior to Phase 3 initiation to obtain regulatory feedback. ORY will also provide the psychometric properties and performance for the selected primary and key secondary endpoints for FDA review prior to Phase 3 initiation. A Special Protocol Assessment is unlikely to be sought given the useful clarity received from the FDA, and likely also given the absence of any FDA approved therapy for BPD. The two Phase 3 trials may be conducted in sequence or in parallel, depending on funding/partnering, and we project PORTICO-2 enrollment to begin in 2Q25. Each Phase 3 trial should cost less than €50 million, and management appeared to optimistic about a partnership given the multibillion dollar market opportunity and absence of FDA approved BPD drugs.

VALUATION

Our 12-month price target of €12, is based on a DCF analysis using a 35% discount rate that is applied to all cash flows and the terminal value, which is based on a 4x multiple of our projected 2030 operating income of $637 million. We arrive at this valuation by projecting future revenue from vafidemstat in borderline personality disorder and Kabuki syndrome, as well as iadademstat in AML and SCLC.

Factors that could impede shares of ORY.SM from achieving our price target include vafidemstat and iadademstat failing to generate statistically significant clinical results. Also, regulatory agencies could fail to approve these drugs even if pivotal clinical trials are statistical successes, due to the agency viewing the results as not clinically meaningful. Loss of key management personnel could also impede achieving our price target, as could smaller than projected commercial opportunity due to changes in market size, competitive landscape, and drug pricing and reimbursement.

RISKS

- **Clinical risk.** ORY.SM's clinical staged products could fail to deliver statistically significant results in late-stage clinical trials, substantially reducing the value of ORY.SM's product candidates and therefore our target price.
- **Regulatory risk.** Even if successful in the clinic, ORY.SM's products could fail to be approved by domestic and/or foreign regulatory bodies, which would reduce ORY.SM's value and therefore our target price.
- **Financing risk.** ORY.SM will need additional capital to fund its operations, and such financing may not occur, or it could be substantially dilutive to existing investors.
- **Competitive risk.** For any future approved ORY.SM products, they may not be well adopted in a competitive marketplace, which would adversely affect ORY.SM's value and therefore our target price.
- **High stock price volatility.** This issue is common among small-cap biotechnology companies with relatively low trading volumes.

COMPANY DESCRIPTION

Founded in 2000 in Barcelona, Spain, Oryzon (ISIN Code: ES0167733015) is a clinical stage biopharmaceutical company and the European leader in epigenetics, with a strong focus on personalized medicine in CNS disorders and oncology. Oryzon's team is composed of highly qualified professionals from the pharma industry located in Barcelona, Boston, and San Diego. Oryzon has an advanced clinical portfolio with two LSD1 inhibitors, vafidemstat in CNS and iadademstat in oncology, in several Phase II clinical trials. The company has other pipeline assets directed against other epigenetic targets like HDAC-6 where a clinical candidate ORY-4001, has been nominated for its possible development in CMT and ALS. In addition, Oryzon has a strong platform for biomarker identification and target validation for a variety of malignant and neurological diseases. For more information, visit www.oryzon.com

Oryzon Genomics SA
Income Statement
Fiscal Year ends December
(in 000, except per share items)

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	2018A	2019A	2020A	2021A	2022A	1Q23	2Q23	3Q23	4Q23	2023A	1Q24A	2Q24A	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Global iadademstat revenue																-	7,683	99,008	147,956	176,048	184,560
Global vafidemstat revenue																-	-	100,935	271,856	427,073	505,511
Total revenue																-	**7,683**	**199,943**	**419,813**	**603,120**	**690,072**
Cost of revenue																-	1,153	17,570	26,435	30,024	30,193
R&D	8,489	12,647	13,591	15,118	17,701	4,372	4,264	3,821	3,867	16,324	2,636	2,325	2,348	2,372	9,681	11,133	11,690	11,807	11,925	12,044	12,164
G&A	2,993	3,176	3,484	5,529	4,771	1,223	1,096	674	1,187	4,180	863	1,222	1,100	1,111	4,296	4,725	8,033	8,836	9,720	10,206	10,716
Total operating expenses	**11,482**	**15,823**	**17,075**	**20,647**	**22,472**	**5,595**	**5,360**	**4,495**	**5,054**	**20,504**	**3,499**	**3,547**	**3,448**	**3,483**	**13,977**	**15,858**	**20,875**	**38,213**	**48,080**	**52,274**	**53,073**
Operating income	**(11,482)**	**(15,823)**	**(17,075)**	**(20,647)**	**(22,472)**	**(5,595)**	**(5,360)**	**(4,495)**	**(5,054)**	**(20,504)**	**(3,499)**	**(3,547)**	**(3,448)**	**(3,483)**	**(13,977)**	**(15,858)**	**(13,192)**	**161,730**	**371,733**	**550,847**	**636,999**
Other income (net)	8,143	11,522	11,805	12,510	16,661	4,215	4,054	3,669	3,619	15,557	2,400	2,061	2,000	2,000	8,461	8,000	8,000	7,000	7,000	6,000	5,000
Net income (pretax)	**(3,339)**	**(4,301)**	**(5,269)**	**(8,137)**	**(5,811)**	**(1,380)**	**(1,306)**	**(826)**	**(1,435)**	**(4,947)**	**(1,099)**	**(1,486)**	**(1,448)**	**(1,483)**	**(5,516)**	**(7,858)**	**(5,192)**	**168,730**	**378,733**	**556,847**	**641,999**
Net financial & tax	(1,991)	(187)	(1,098)	(2,760)	(1,276)	392	(2,459)	300	468	(1,299)	140	(1,599)	(250)	(250)	(1,959)	(1,200)	(1,000)	42,183	94,683	139,212	160,500
Net income	**(1,348)**	**(4,114)**	**(4,171)**	**(5,377)**	**(4,535)**	**(1,772)**	**1,153**	**(1,126)**	**(1,903)**	**(3,648)**	**(1,239)**	**113**	**(1,198)**	**(1,233)**	**(3,557)**	**(6,658)**	**(4,192)**	**126,548**	**284,050**	**417,635**	**481,499**
EPS basic	**(0.04)**	**(0.10)**	**(0.08)**	**(0.10)**	**(0.08)**	**(0.03)**	**0.02**	**(0.02)**	**(0.03)**	**(0.06)**	**(0.02)**	**0.00**	**(0.02)**	**(0.02)**	**(0.06)**	**(0.10)**	**(0.06)**	**1.74**	**3.71**	**5.20**	**5.71**
EPS diluted	**(0.04)**	**(0.10)**	**(0.08)**	**(0.10)**	**(0.08)**	**(0.03)**	**0.02**	**(0.02)**	**(0.03)**	**(0.06)**	**(0.02)**	**0.00**	**(0.02)**	**(0.02)**	**(0.06)**	**(0.10)**	**(0.06)**	**1.46**	**3.14**	**4.43**	**4.89**
Basic shares outstanding	34,638	41,589	49,235	52,762	53,354	56,190	57,339	58,154	58,451	57,616	61,216	62,215	62,277	62,339	62,011	66,079	69,383	72,853	76,495	80,320	84,336
Diluted shares outstanding	34,638	41,565	49,235	52,762	53,354	56,190	57,339	58,154	58,451	57,616	61,216	62,215	62,277	62,339	62,011	66,079	69,383	86,890	90,532	94,357	98,373

Source: SEC filings, company press releases, and ROTH Capital Partners

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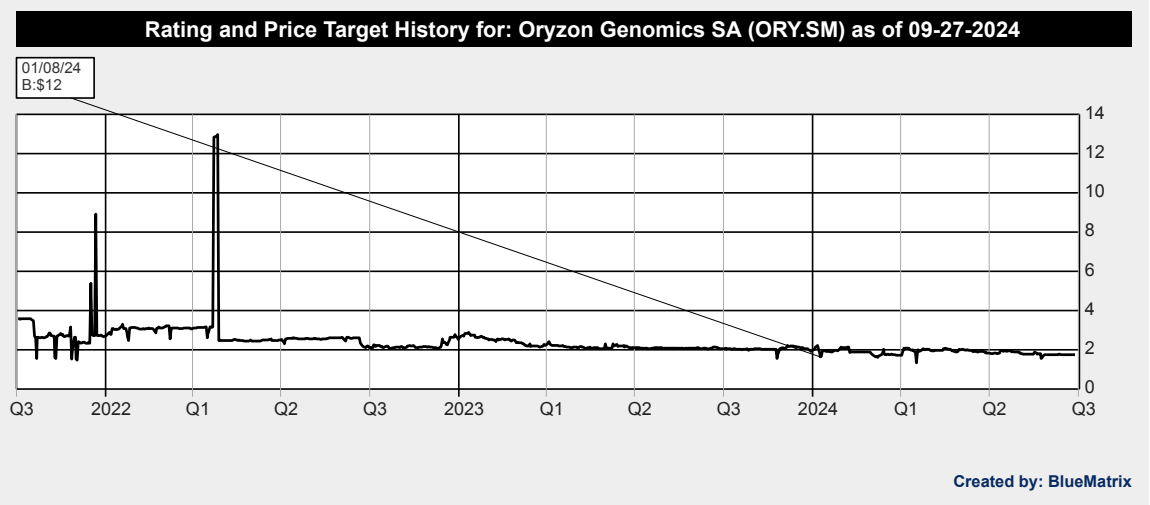
Disclosures:

Shares of Oryzon Genomics SA may be subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services**shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

			IB Serv./Past 12 Mos. as of 10/01/2024	
Rating	**Count**	**Percent**	**Count**	**Percent**
Buy [B]	**362**	**74.18**	**107**	**29.56**
Neutral [N]	**75**	**15.37**	**6**	**8.00**
Sell [S]	**2**	**0.41**	**0**	**0**
Under Review [UR]	**48**	**9.84**	**1**	**2.08**

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.

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Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

Not Covered [NC]: ROTH Capital does not publish research or have an opinion about this security.

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