

Quantum Genomics

Alternext: ALQGC [FR0011648971]

April 4th 2016

Target price: €14.61

Share price (€) (As of April 4 th 2016)	6.30
High/Low (€) (Since IPO)	8.51/6.00
Market Cap. (€M) (As of April 4 th 2016)	52.7
Estimated Net Cash (€M)	14.4
Estimated Market Cap. (€M)	122.1
Number of shares (M)	8.36
Target price (€)	14.61
Average volume/day (Since IPO)	18,570
Free float	63.1%

Quantum Genomics raises €8.6M to fund Phase II clinical programs in hypertension and heart failure

The French biopharmaceutical company developing cutting-edge drugs in the field of cardiovascular diseases successfully closed a €8.6M private placement and follow-on offering from European and American investors. With the reinforcement of their cash position, the company should have a 2-year financial visibility, and will be able to further advance its research programs. Quantum Genomics is developing centrally active first-in-class drugs, the Brain aminopeptidases Inhibitors (BAPAI), with promising potential for cardiovascular diseases, especially resistant hypertension and congestive heart failure. The year 2016 will be decisive for the company which expects major milestones, including preliminary Phase IIa results with QGCO01 in hypertension (Q3-2016), and the initiation of a Phase IIa study with QGC101 in heart failure (H2-2016). Taking into account the newly issued shares and increased cash position, we adjusted our target price on Quantum Genomics to € 14.61/share.

Stock performance YTD

Quantum Genomics	-26.0%
Alys France*	-11.1%
Next Biotech	-14.6%
CAC Healthcare	-6.6%
CAC 40	-6.3%
CAC Small	-4.9%

* Index of French smallcaps (less than €1B market capitalization at time of inclusion) in the healthcare and life sciences sector, listed on Euronext Paris.

See <http://www.aurgalys.com/aurgalys-indices>

Strengthened cash position with 2 years of financial visibility

In late March, Quantum Genomics announced it successfully raised €8.6M with a private placement in the US (€5.54M) together with a public offering (€3.04M) in Europe. Moreover, the additional shares issued were associated with share warrants, which could increase the total money raised to €14.1M, should the warrants be fully exercised. Both operations received broad support from investors, showing their strong interest in the company. The US private placement was entirely subscribed by Sabby Management, a US institutional investor with 45% of its investments in the healthcare sector (as of December 31st, 2015, source: Nasdaq website, retrieved April 4th, 2016). Historical shareholders including Alix AM and Téthys, also supported the European public offering.

With the money raised, Quantum Genomic has now a solid cash position to finance its research projects for the next 2 years. The company can accelerate its clinical programs, including a Phase IIa study with QGC101 in Congestive Heart Failure (CHF) in 2016, and a Phase IIb study with QGCO01 in hypertension in EU and the US, due to start in 2017.

Decisive short- and mid-term milestones

QGC001 in hypertension: first proof of efficacy in human patients

QGC001 is a BAPAI, a first-in-class drug having promising potential for treating blood pressure-related pathologies. In Q1-2015 Quantum Genomics launched a Phase IIa study to evaluate whether the drug could control blood pressure on patients with moderate hypertension. Thanks to a rapid patient enrollment, Quantum Genomics announced it will communicate preliminary results from the study in Q3-2016, ahead of schedule. These results are particularly awaited since a positive outcome will establish the first proof of efficacy of BAPAI drugs on human patients, and could therefore confirm the company's strategy to develop this class of drug for cardiovascular diseases. Quantum Genomics will need to further confirm QGC001's efficacy on a larger population in a Phase IIb study in Europe and the US. The company recently established a US clinical advisory board and opened a US office in order to prepare this study, whose final design will depend on the Phase IIa results.

Quantum Genomics' strategy is to license QGC001 after Phase II studies to a major pharmaceutical company, which could then carry out late stage clinical development, and marketing of the drug. We believe that QGC001 is a serious licensing candidate considering:

- the drug's unique mechanism of action
- the drug's potential use for resistant hypertension
- the lack of recent significant innovation on this therapeutic area
- the urgent need for major pharmaceutical players to renew their pipeline in this segment

Phase IIa study in Heart Failure

Quantum Genomics will also launch a clinical program with QGC101 in Congestive heart failure (CHF). CHF is the 3rd leading cause of mortality among cardiovascular diseases, affecting 1-2% of adults in developed countries, and up to 10% of people over 70 years old. The company will be able to directly evaluate the drug in a Phase IIa (QGC101 is the same molecule as QGC001) which is expected to start in H2-2016 in Europe. Thanks to the additional funding received last month, the company will be able to finance the whole study, whose results are expected by the end of 2017. A positive outcome would strongly increase Quantum Genomics's value, since it would confirm the potential of BAPAI to treat different cardiovascular diseases with strong medical needs.

Also in heart failure, Quantum Genomics already initiated discussions with a large player in the field of animal health, to license QGC101 for the treatment of CHF in dogs. The partner's decision, originally planned for late 2015, was postponed to 2016 after signing a letter of intent reaffirming its interest in QGC101. Both parties have yet to come to an agreement, which could lead to short-/mid-term revenues for Quantum Genomics.

Valuation of Quantum Genomics

We adjusted our valuation of the company to take into account the additional €8.6M in cash, and the resulting dilution due to the newly issued shares. Our valuation of each program, including QGCOO1 in hypertension, QGC101 in CHF and the potential licensing for veterinary use, remained unchanged. Considering an estimated enterprise value of €122.1M and net cash of €14.4, we adjusted our target price to €14.61/share (vs €16.78/share previously in our January 6th, 2016 report).

Quantum Genomics' stock performance

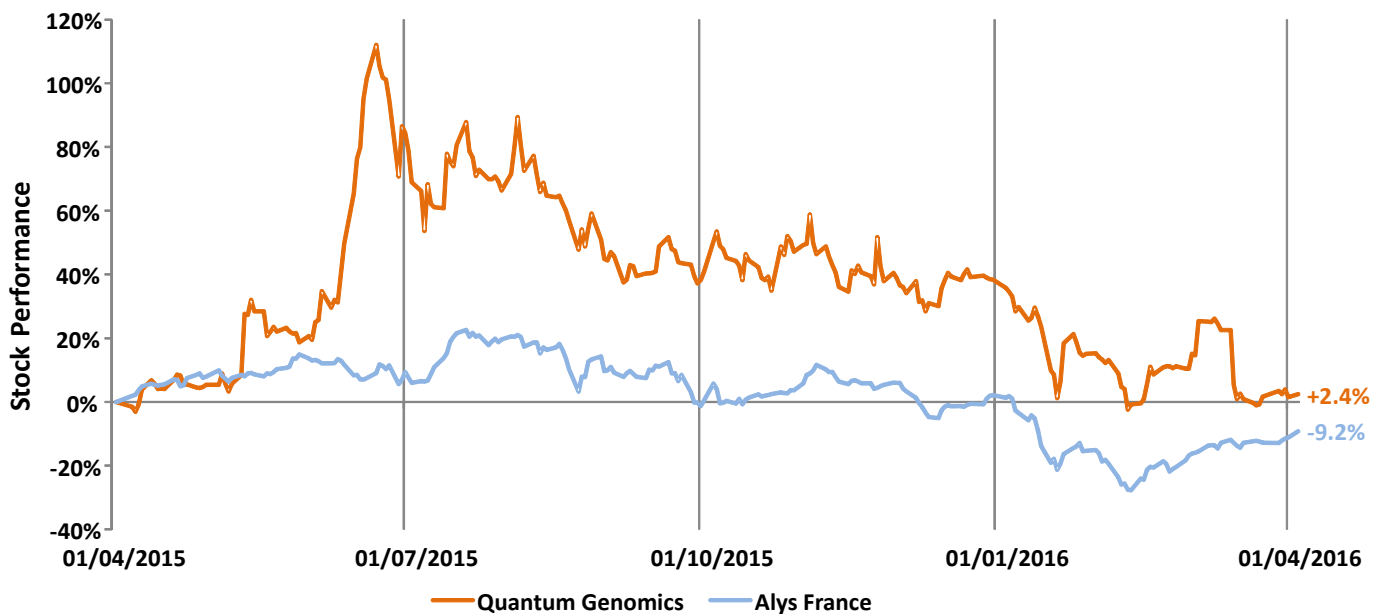


Figure 1. Quantum Genomics' one-year stock performance as of April 4th, 2016, compared to other French smallcaps of the healthcare and life sciences sector (Alys France Index)

Quantum Genomics was not spared by the market sell-off affecting biotech stocks at the beginning of this year. The company's shares have lost 26.0% on the market since January 1st, 2016, trading at €6.30 as of 04/04/2016. As a comparison, the Alys France index lost 11.1% over the same period. This is explained by the follow-on offering announced on March 15th, 2016 (-14% compared to the previous trading day). However, the market capitalization of Quantum Genomics has gained 13.5% in March.

Upcoming news flow

2016-Q3: Primary results from the Phase IIa study with QGCOO1 (hypertension)

2016-H2: Initiation of the Phase IIa study with QGC101 (heart failure)

2016: Potential partnership agreement for QGC101 in the field of animal health (CHF)

<i>EARNING PER SHARE (€)</i>	<i>2013</i>	<i>2014</i>	<i>2015e</i>	<i>2016e</i>	<i>2017e</i>
EPS	-0,38	-0,46	-0,60	-0,71	-0,74
EPS (Diluted)			-0,55	-0,61	-0,64

<i>INCOME STATEMENT (€M)</i>	<i>2013</i>	<i>2014</i>	<i>2015e</i>	<i>2016e</i>	<i>2017e</i>
Revenue	0,0	0,3	0,2	0,2	0,3
EBIT	-1,9	-2,4	-4,8	-7,1	-7,4
Net Income	-1,5	-2,2	-4,2	-5,9	-6,2

<i>FLUX DE TRESORERIE (€M)</i>	<i>2013</i>	<i>2014</i>	<i>2015e</i>	<i>2016e</i>	<i>2017e</i>
Net Income	-1,5	-2,2	-4,2	-5,9	-6,2
Cash flow from operating activities	0,0	-2,2	-3,6	-4,5	-5,5
Cash flow from investment activities	0,0	0,0	-1,3	-0,5	-0,1
Cash Flow from financing activities	0,0	0,0	9,6	8,5	-0,3
Change in cash	0,0	-2,2	4,7	3,4	-6,0

<i>BALANCE SHEET (€M)</i>	<i>2013</i>	<i>2014</i>	<i>2015e</i>	<i>2016e</i>	<i>2017e</i>
ASSETS					
Non current assets	0,5	0,6	1,6	1,8	1,5
Current assets	1,1	4,1	8,9	12,3	6,4
<i>Including cash and cash equivalent</i>	0,3	3,3	8,1	11,4	5,5
Total Assets	1,7	4,8	10,5	14,1	7,9
LIABILITIES & SHAREHOLDERS EQUITY					
Total Equity	-1,6	-0,1	8,7	11,3	5,1
Total Liabilities	3,3	4,9	1,8	2,8	2,8
Total Liabilities and shareholders equity	1,7	4,8	10,5	14,1	7,9

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