

## Quantum Genomics

Alternext: ALQGC [FR0011648971]

June 30<sup>th</sup>, 2016**Target price: €15.31**Share price (€)  
(As of June 30<sup>th</sup>, 2016) 5.10High/Low (€)  
(Since Jan. 1<sup>st</sup>, 2016) 8.35/4.52Market Cap. (€M)  
(As of June 30<sup>th</sup>, 2016) 42.8Estimated Net Cash  
(€M) 14.0Estimated Market Cap.  
(€M) 128.4

Number of shares (M) 8.39

Target price (€) 15.31

Average volume/day  
(3 months) 16,000

Free float 63.1%

**Quantum Genomics makes progress on QGC101 clinical development in heart failure**

Quantum Genomics announced important milestones for its drug candidate QGC101 in the heart failure (HF) indication. The company just extended its partnership with a major pharmaceutical company in animal health to further develop QGC101 for the treatment of HF in dogs. The company also announced the opening of the first investigational centers for QGC101 Phase 2a clinical trial. With these developments, the Quantum Genomics expects to increase the market potential of its first-in-class drug candidates, the Brain Amino Peptidase inhibitors (BAPAI), which could have a strong potential for the treatment of cardiovascular diseases with unmet medical needs. Another major milestone is expected in Q3-2016, with the publication of QGC001 preliminary phase 2a results, in hypertension. Our target price is €15.31/share.

**Stock performance YTD**

<b>Quantum Genomics</b>	<b>-40.1%</b>
Alys France*	-21.6%
Next Biotech	-20.2%
CAC Healthcare	-4.0%
CAC 40	-8.6%
CAC Small	-7.3%

\* 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>

**Extended partnership in animal health**

In February 2014, Quantum Genomics initiated a partnership with a major pharmaceutical company in animal health, to assess QGC101's potential for veterinary use. In June 2015, Quantum Genomics announced positive preclinical results, demonstrating QGC101 efficacy in reducing the cardiac injection fraction in dogs suffering from heart failure, after 28 days of treatment. Quantum Genomics just announced that both parties have agreed to extend their collaboration and to perform the necessary studies for marketing approval of QGC101 in animal health. The financial terms of the agreement were not disclosed.

Although Quantum Genomics's main business remains on the field of human health, the company could generate additional short/mid-term recurring revenues from this collaboration. It is also a strong recognition for Quantum Genomics's BAPAI drugs, which could increase the company's visibility towards large pharmaceutical companies. We estimate that QGC101 could reach the veterinary market in 3 years, and generate sales up to €30M.

## First investigational centers opened for the phase 2a trial in heart failure

The company announced the opening of the first investigational centers for the phase 2a study with QGC101 in chronic heart failure (QUID-HF study) in France and Norway. QUID-HF is a randomized, double-blind, placebo-controlled study, assessing the safety and efficacy of escalating doses of QGC101 (from 50 mg twice daily to a maximum of 500 mg twice daily), in patients with chronic HF ([www.clinicaltrials.gov](http://www.clinicaltrials.gov)).

The study would involve 10 investigational hospitals in 6 European countries (France, The Netherlands, Germany, Norway, Poland and the United Kingdom). Patients discharged from hospital admission for worsening chronic heart failure, and having left ventricular systolic dysfunction, will receive oral doses of QGC101 or the placebo drug. Investigators will measure several efficacy parameters after 28 days of treatment, and 7 days after treatment discontinuation (day 35).

Primary end points include:

- Relative decrease in NT-proBNP, as a percentage of subjects experiencing a decrease of 30% or more from baseline.
- Change in blood pressure compared to baseline

NT-proBNP (N-terminal pro-brain natriuretic peptide) is a biomarker of cardiovascular activity and especially heart failure. Increased NT-proBNP plasmatic level is associated with poor prognosis for heart failure patients. With the QUID-HF study, Quantum Genomics wishes to demonstrate QGC101 efficacy in treating heart failure in human patients. The study would include 75 patients and results could be published at the end of 2017.

## Decisive milestone with QGC001, in Q3-2016

Quantum Genomics will release preliminary results from the phase 2a study with QGC001 in hypertension, as soon as Q3-2016. QGC001 is the most advanced BAPAI candidate in clinical development, with promising potential for blood pressure-related diseases. The phase 2a study was initiated in 2015, in order to assess the drug potential in reducing high blood pressure on moderate hypertensive patients. It is also the first attempt to demonstrate BAPAI's efficacy on human patients. Should the trial be successful, the drug could revolutionize the treatment of hypertension, thanks to its unique mechanism of action targeting the brain renin-angiotensin system. We believe that QGC001 is a potential blockbuster with estimated \$1.5B annual sales in this indication alone, and a strong licensing candidate for large pharmaceutical companies. Quantum Genomics is already preparing the phase 2b trial and plans to license QGC001 by the end of phase 2 studies.

## Valuation of Quantum Genomics

The extension of the partnership in the field of animal health was already included in our valuation model of the company. We slightly reduced our target price for Quantum Genomics to € 15.31 / share, to account for the 33,013 new shares issued since our last report (May 23<sup>rd</sup>, 2016).

## Upcoming news flow

- Q3-2016: Preliminary results of Phase 2a clinical trial with QGC001 in Hypertension.
- Q4-2017: End of Phase 2a clinical trial with QGC101 in Heart failure.

## Quantum Genomics' stock performance

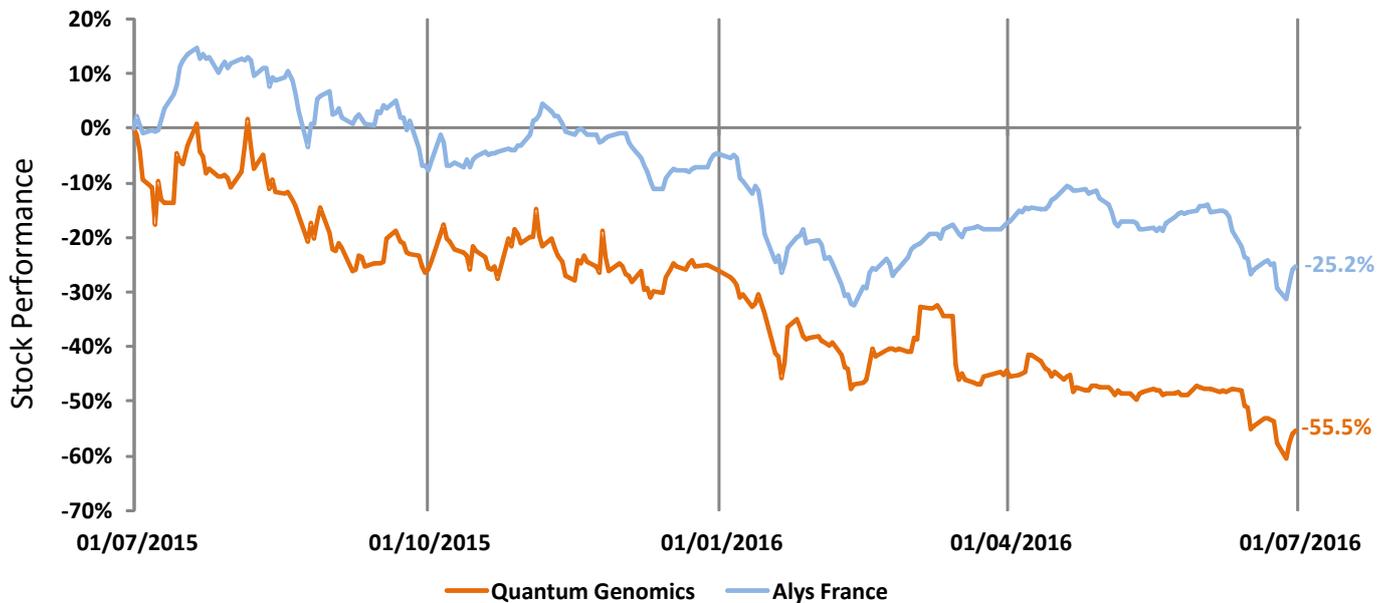


Figure 1. Quantum Genomics' one-year stock performance as of June 30<sup>th</sup>, 2016, compared to other French smallcaps of the healthcare and life sciences sector (Alys France Index)

Quantum Genomics's stocks [Alternext: ALQGC] have lost 40.1% of their value since the beginning of this year, with shares trading at €5.10 as of June 30<sup>th</sup>, 2016. This sharp decline is in line with the overall market trend and especially Biotech stocks, which were heavily impacted by the Brexit referendum. Within the same period, the CAC40, Next Biotech and Alys France Indices lost 8.6%, 20.2% and 21.6% respectively. The 3-month daily average volume for Quantum Genomics is 16,509 shares.

<b>EARNING PER SHARE (€)</b>		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016e</b>	<b>2017e</b>	<b>2018e</b>
EPS		-0,38	-0,46	-0,54	-0,57	-0,84	0,26
EPS (Diluted)				-0,50	-0,49	-0,73	0,22
<b>INCOME STATEMENT (€M)</b>		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016e</b>	<b>2017e</b>	<b>2018e</b>
Revenue		0,0	0,3	0,2	0,0	0,0	8,7
EBIT		-1,9	-2,4	-4,3	-5,6	-8,5	1,0
<b>Net Income</b>		<b>-1,5</b>	<b>-2,2</b>	<b>-3,8</b>	<b>-4,8</b>	<b>-7,1</b>	<b>2,2</b>
<b>CASH FLOW STATEMENT (€M)</b>		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016e</b>	<b>2017e</b>	<b>2018e</b>
<b>Net Income</b>		<b>-1,5</b>	<b>-2,2</b>	<b>-3,8</b>	<b>-4,8</b>	<b>-7,1</b>	<b>2,2</b>
Cash flow from operating activities		0,0	-2,2	-3,1	-4,5	-5,8	1,8
Cash flow from investment activities		0,0	0,0	-0,4	-0,1	-0,1	-0,1
Cash Flow from financing activities		0,0	0,0	8,8	8,1	0,0	-0,2
<b>Change in cash</b>		<b>0,0</b>	<b>-2,2</b>	<b>5,3</b>	<b>3,5</b>	<b>-5,9</b>	<b>1,4</b>
<b>BALANCE SHEET (€M)</b>		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016e</b>	<b>2017e</b>	<b>2018e</b>
<b>ASSETS</b>							
Non current assets		0,5	0,6	0,5	0,6	0,7	0,7
Current assets		1,1	4,1	10,0	13,2	7,4	8,8
<i>Including cash and cash equivalent</i>		0,3	3,3	8,7	12,1	6,2	7,6
<b>Total Assets</b>		<b>1,7</b>	<b>4,8</b>	<b>10,5</b>	<b>13,8</b>	<b>8,0</b>	<b>9,6</b>
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY</b>							
Total Equity		-1,6	-0,1	8,0	11,3	4,3	6,4
Total Liabilities		3,3	4,9	2,5	2,5	3,8	3,1
<b>Total Liabilities and shareholders equity</b>		<b>1,7</b>	<b>4,8</b>	<b>10,5</b>	<b>13,8</b>	<b>8,0</b>	<b>9,6</b>

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