

Hybrigenics

Fresh funds to expand clinical studies and R&D

Fund-raise update

Pharma & biotech

Hybrigenics has raised €6.8m in gross proceeds through preferential subscription rights with new and existing investors. We believe the proceeds will provide funding into 2019 and enable Hybrigenics to expand the ongoing Phase II studies with inecalcitol in acute myeloid leukaemia (AML) and chronic myeloid leukaemia (CML). Additionally, the company will use the cash to continue the research in the field of inhibitors of ubiquitin-specific protease 7 (USP7) or 8 (USP8). Our valuation, which does not yet include the offering, stands at €141m.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	2.2	(4.5)	(13.2)	0.0	N/A	N/A
12/16	3.6	(3.9)	(10.8)	0.0	N/A	N/A
12/17e	3.7	(4.9)	(13.8)	0.0	N/A	N/A
12/18e	5.6	(3.6)	(9.9)	0.0	N/A	N/A

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

Inecalcitol Phase II studies to be expanded

The fund-raising will enable Hybrigenics to expand the ongoing Phase II study with inecalcitol in AML beyond the US and France. It will strengthen its Phase II study in CML by combining inecalcitol with other kinase inhibitors in France and will allow the launch of a new Phase II clinical trial in collaboration with the American consortium, Cure CML. The ongoing AML study will read out in H119 and the CML study will complete in H218. We project \$118.9m peak sales in AML and \$257m in CML, in the US and EU.

Preclinical USP inhibitors programme advances

These funds will allow Hybrigenics to advance its preclinical programme on ubiquitin-specific proteases (USPs). The company's USP7 inhibitor HBX 19,818 has demonstrated cytotoxic activity on human chronic lymphocytic leukaemia (CLL) cells *in vitro* and *in vivo*, as published in the journal [Blood](#). Importantly, HBX 19,818 induced tumour killing independently of resistance mechanisms, making it an interesting product to address chemotherapy-resistant tumours. The company has reinforced its IP position with the grant of a European patent covering a series of small molecules that inhibit USP8. It now has six patents granted in the world's major markets with protection until 2032. Lead USP8 inhibitor HBX 96,819 has shown potential in EGFR-resistant lung cancer and Cushing's disease. Hybrigenics has an ongoing R&D collaboration with Servier focused on USP inhibitors in oncology. Up to €12m in potential payments is associated with this programme until registration.

Valuation: rNPV of €141m or €3.9/share maintained

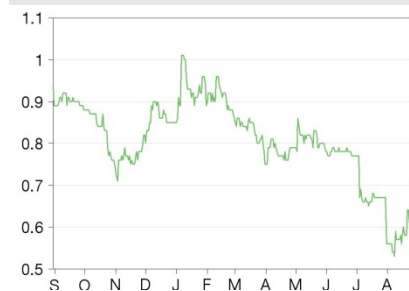
In July 2017 Hybrigenics raised €6.8m in gross proceeds by issuing c 10.9m new shares at €0.62/share (23% dilution). We had a funding gap of €2m in 2018 and now with end-2016 net cash of €8.5m and the recent raise we believe Hybrigenics has some flexibility into 2019. We will update the financials and valuation after the H117 results are published in October 2017. Our valuation is €141m or €3.9/share.

29 August 2017

Price €0.62
Market cap €29m

Net cash (€m) at 31 December 2016	8.5
Shares in issue after raise (August 2017)	46.8m
Free float	87%
Code	ALHYG
Primary exchange	Euronext Growth
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	5.1	(19.9)	(28.0)
Rel (local)	6.0	(16.1)	(37.4)
52-week high/low		€0.98	€0.53

Business description

Hybrigenics is a French biotech company. It is conducting Phase II studies on lead drug inecalcitol in orphan adult leukaemias: chronic myeloid leukaemia and acute myeloid leukaemia. The company has a research programme on USP inhibitors.

Next events

Orphan designation in CML in the EU and US	2017
H117 results	October 2017
CML Phase II completion	H218
AML Phase II data	H119

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Hybrigenics is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	€'000s	2015	2016	2017e	2018e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		2,172	3,607	3,670	5,598
Cost of sales		(1,104)	(842)	(1,211)	(1,575)
Gross profit		1,068	2,765	2,459	4,023
EBITDA		(4,413)	(3,789)	(4,964)	(3,492)
Operating profit (before GW and except)		(4,563)	(3,908)	(5,083)	(3,611)
Intangible amortisation		(150)	(119)	(119)	(119)
Exceptionals		0	0	0	0
Share-based payments		(225)	(166)	(174)	(183)
Operating profit		(5,016)	(4,319)	(5,502)	(4,039)
Net interest and other financial items		37	30	152	58
Profit before tax (norm)		(4,526)	(3,878)	(4,932)	(3,553)
Profit before tax (reported)		(4,979)	(4,290)	(5,351)	(3,981)
Tax		0	0	0	0
Profit after tax (norm)		(4,526)	(3,878)	(4,932)	(3,552)
Profit after tax (reported)		(4,979)	(4,290)	(5,351)	(3,981)
Discontinued operations		639	(963)	0	0
Net income (norm)		(4,526)	(3,878)	(4,932)	(3,552)
Net income (reported)		(4,340)	(5,254)	(5,351)	(3,981)
Average number of shares outstanding (m)		34.2	35.8	35.8	35.8
EPS - normalised (c)		(13.2)	(10.8)	(13.8)	(9.9)
EPS - FRS 3 (c)		(12.7)	(14.7)	(14.9)	(11.1)
Dividend per share (c)		0.0	0.0	0.0	1.0
Gross margin (%)		49%	77%	67%	72%
EBITDA margin (%)		N/A	N/A	N/A	N/A
Operating margin (before GW and except) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed assets		1,718	1,133	923	707
Intangible assets		820	524	405	286
Tangible assets		585	326	228	130
Investments		313	283	290	291
Current assets		19,584	15,048	8,217	6,725
Stocks		150	55	33	22
Debtors		1,513	546	556	847
Cash		11,716	8,489	3,795	2,024
Other		6,205	3,833	3,833	3,833
Assets held for sale		0	2,125	0	0
Current liabilities		(4,698)	(4,955)	(2,965)	(2,967)
Creditors		(1,727)	(1,565)	(1,727)	(1,726)
Short-term borrowings		(288)	(91)	(91)	(91)
Other		(2,683)	(1,145)	(1,147)	(1,150)
Liabilities associated with assets held for sale		0	(2,154)	0	0
Non-current liabilities		(629)	(346)	(346)	(2,346)
Long-term borrowings		(114)	0	0	(2,000)
Other		(515)	(346)	(346)	(346)
Net assets		15,976	10,881	5,828	2,120
CASH FLOW					
Operating cash flow		(5,304)	(2,593)	(4,790)	(3,773)
Net interest		56	34	152	58
Tax		0	0	0	0
Capex		(548)	(274)	(147)	(147)
Payment of deferred consideration		0	0	0	0
Capitalisation of development costs		0	0	0	0
Expenditure on intangibles		0	0	0	0
Acquisitions/disposals		0	0	0	0
Financing		8,457	0	0	0
Dividends		0	0	0	0
Net cash flow		2,661	(2,833)	(4,785)	(3,862)
Opening net debt/(cash)		(9,644)	(11,602)	(8,489)	(3,795)
HP finance leases initiated		0	0	0	0
Other		(703)	(280)	91	91
Closing net debt/(cash)		(11,602)	(8,489)	(3,795)	(24)

Source: Edison Investment Research, Hybrigenics accounts

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