EDISON

Quantum Genomics

Financial update

An additional firibastat partnership

Pharma & biotech

Quantum Genomics recently announced it has signed a licensing and collaboration agreement with Orient Europharma (OEP) to develop and commercialise firibastat for hypertension in South East Asia, Australia and New Zealand. As part of the agreement, Quantum Genomics will receive US$19m in upfront and milestone payments as well as double-digit royalties. Additionally, OEP will fund part of the Phase III FRESH study in difficult to treat/resistant hypertension patients in Taiwan.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/18	0.0	(13.6)	(0.94)	0.0	N/A	N/A
12/19	0.0	(10.8)	(0.53)	0.0	N/A	N/A
12/20e	0.0	(15.6)	(0.64)	0.0	N/A	N/A
12/21e	0.0	(21.6)	(0.85)	0.0	N/A	N/A

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

An established pharma chosen as partner

Quantum Genomics' new partner for South East Asia, Australia and New Zealand, OEP, was founded in 1982 and publicly listed on the Taiwan exchange in 2003. OEP has over 1,000 worldwide employees and had revenues of NT$6.1bn (over US$200m) in 2019.

Phase III FRESH study on track

The pivotal FRESH study is a three-month, 500-patient study comparing firibastat to placebo in difficult-to-treat or resistant hypertension patients who are already on treatments from two or three anti-hypertensive classes (firibastat and placebo will be added on top of the current treatment) yet still have systolic automated office blood pressure (AOBP) above 140mmHg. The primary endpoint will be a change from baseline in systolic AOBP. Data continue to be expected in H221, although are likely closer to the end of that period.

Phase IIb QUORUM study enrolment ongoing

The Phase IIb QUORUM study is enrolling 294 subjects from 40 centres in the US and Europe within 72 hours of suffering acute myocardial infarction (AMI), commonly referred to as a heart attack. The primary endpoint will be the change from baseline in the left ventricular ejection fraction (LVEF) after a three-month treatment. The company expects to complete enrolment by the end of the year, a slight delay mainly due to COVID-19. Based on this we now expect results in H121 (previously H220).

Valuation: €1,028m or €47.63 per share

We have adjusted our valuation to €1,028m or €47.63 per share from €963m or €51.74 per share. The total value increased due to rolling forward our NPVs, while the per-share value falls due to a higher number of shares.

5 October 2020

Price	**€2.78**
Market cap	**€60m**
Net cash (€m) at 30 June 2020 + financing	13.4
Shares in issue	21.6m
Free float	80%
Code	ALQGC
Primary exchange	Euronext Paris
Secondary exchange	OTCQX

Share price performance

%	1m	3m	12m
Abs	11.0	(2.6)	(36.2)
Rel (local)	15.5	1.1	(28.7)
52-week high/low	€4.50		€1.88

Business description

Quantum Genomics is a biopharmaceutical company developing firibastat, a brain aminopeptidase A inhibitor for treating hypertension and heart failure. Its mechanism is implicated in the 25% of patients resistant to treatment. The Phase IIb study in hypertension was very positive and a Phase III was recently initiated. Also, a Phase IIb study in heart failure is enrolling patients.

Next events

QUORUM heart failure enrolment completion	YE20

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Edison profile page

H120 update and a new partnership

Quantum Genomics recently announced it has signed a licensing and collaboration agreement with OEP to develop and commercialise firibastat for difficult to treat/resistant hypertension in South East Asia (specifically, Taiwan, Malaysia, the Philippines, Singapore, Vietnam, Indonesia, Myanmar and Cambodia), Australia and New Zealand. As part of the agreement, Quantum Genomics will receive US$19m in upfront and milestone payments (the precise split was not disclosed) as well as double digit royalties. Additionally, OEP will fund part of the Phase III FRESH study in difficult to treat/resistant hypertension patients in Taiwan. OEP seems to be a good choice of partner for Quantum Genomics as it is an established company with decades of experience. Additionally, OEP has over 1,000 employees worldwide (40% of which are outside of Taiwan) and had revenues of NT$6.1bn (over US$200m) in 2019.

Previously, in December 2019, Quantum Genomics had announced it has licensed firibastat for the treatment of hypertension to Biolab Sanus covering the Latin American region. Biolab Sanus is one of the largest pharmaceutical companies in Brazil, with over 140 products and 3,200 employees and 2019 revenues were around US$600m, according to the licensing agreement press release. As part of the agreement, Biolab Sanus is obligated to pay US$21.2m in upfront and milestone payments as well as royalties. Additionally, Biolab Sanus will be responsible for clinical trial costs in Latin America, which are expected to account for around 20% of the patients enrolled in the Phase III FRESH trial.

Clinical trial updates

Quantum Genomics launched its Phase III programme for firibastat for the treatment of difficult-to-treat or resistant hypertension patients, enrolling the first patient in July. The FRESH study is a three-month, 500-patient study comparing firibastat (at a dose of 500mg twice a day) to placebo in difficult-to-treat or resistant hypertension patients who are already on treatments from two or three anti-hypertensive classes (firibastat and placebo will be added on top of the current treatment) yet still have systolic AOBP above 140mmHg. The trial, once all sites are online, is expected to be conducted in approximately 70 hospitals in total across Europe (especially France, Germany, Poland, Spain and the Czech Republic), Canada, the United States and Latin America (primarily Brazil and Mexico). The primary endpoint will be a change from baseline in systolic AOBP. Data continue to be expected in H221, although are likely closer to the end of that period.

In terms of the heart failure programme, Quantum Genomics is continuing to enrol the QUORUM study, which is assessing the safety and efficacy of Quantum's drug firibastat compared to ramipril, an angiotensin-converting enzyme inhibitor, in 294 subjects enrolled within 72 hours of suffering AMI, who were treated with primary percutaneous coronary intervention and have reduced LVEF. There are three arms in this randomised, double-blind, active-controlled study with patients receiving either 100mg of firibastat twice a day, 500mg of firibastat twice a day or 5mg of ramipril twice a day. The primary endpoint is the change from baseline in LVEF after a three-month treatment. Secondary endpoints will include cardiac events, functional status and change in heart failure biomarkers. The subjects will be recruited from 40 centres in the US and Europe and the company expects to complete enrolment by the end of the year, a slight delay mainly due to COVID-19. Based on this we now expect results in H121 (previously H220).

Valuation

We have adjusted our valuation to €1,028m or €47.63 per share from €963m or €51.74 per share. The total value increased due to rolling forward our NPVs, while the per-share value falls due to a higher number of shares (shares increased from 18.6m to 21.6m since our last update).

Exhibit 1: Quantum Genomics valuation

Product	Main indication	Local	Status	Prob. of success	Launch year	Peak sales ($m)	Patent protection	rNPV
Firibastat (QGC001)	Hypertension	US	Phase III	50%	2023	$1,110	2031	€ 526.69
Firibastat (QGC001)	Hypertension	Europe	Phase III	50%	2023	$959	2031	€ 446.86
Firibastat (QGC001)	Development costs							-€ 164.06
Firibastat (QGC001)	Heart failure	US	Phase IIb	20%	2023	$574	2031	€ 134.49
Firibastat (QGC001)	Heart failure	Europe	Phase IIb	20%	2023	$687	2031	€ 159.57
Firibastat (QGC001)	Development costs							-€ 88.61
Total								€ 1,014.94
Pro-forma Net Cash (30 June 2020 + financing) (€m)								€ 13.43
Total firm value (€m)								€ 1,028
Total shares (29 September 2020) (m)								21.59
Value per basic share (€m)								€ 47.63

Source: Edison Investment Research

Financials

The company reported an operational loss of €6.0m in H120 compared to €5.3m in H119. Due to a lower than expected run rate, we have reduced our estimated FY20 operating loss to €15.6m from €20.7m. We continue to expect an acceleration in spending due to the FRESH study and estimate an operating loss of €21.6m in FY21.

Quantum had €13.2m in cash and investments and €2.4m in debt at the end of H120. The company raised €1.7m through an equity line of credit with Kepler Cheuvreux in March and €6m through its Negma Group financing arrangement in the first half. It raised an additional €2m from Negma after the end of H120, bringing the total raised from that financial group to €8m. The Negma financings are loans that are repaid with warrants that are then exercised by Negma. At the end of September, only €1.7m of the €8.0m had yet to be repaid. Additionally, Quantum Genomics has decided not to renew the agreement with Negma so while it could have potentially raised up to €24m from the group, the total amount actually raised from the facility will not exceed €8m. While facilities such as Negma's do help fund the company, the shares made as payment are almost immediately sold on the market as they are not long-term investors. The company has stated it has cash to Q321. We forecast €28m in additional financing to the end of 2021 (previously €36m), which we model as illustrative debt. The need for additional funding past this point will depend on the FRESH data and the company's ability to sign other regional partnerships in difficult to treat and resistant hypertension.

Exhibit 2: Financial summary

€000s	2018	2019	2020e	2021e
Year end 31 December	PCG	PCG	PCG	PCG
PROFIT & LOSS				
Revenue	0	0	0	0
Cost of Sales	0	0	0	0
Gross Profit	0	0	0	0
EBITDA	(13,598)	(10,760)	(15,617)	(21,572)
Operating Profit (before amort. and except.)	(13,598)	(10,760)	(15,617)	(21,572)
Intangible Amortisation	0	0	0	0
Other	0	(0)	15	0
Exceptionals	0	0	0	0
Operating Profit	(13,598)	(10,760)	(15,617)	(21,572)
Net Interest	0	0	0	0
Other	150	134	17	0
Profit Before Tax (norm)	(13,598)	(10,760)	(15,617)	(21,572)
Profit Before Tax (FRS 3)	(13,448)	(10,626)	(15,601)	(21,572)
Tax	1,458	1,547	2,028	2,804
Deferred tax	0	0	0	0
Profit After Tax (norm)	(12,140)	(9,213)	(13,589)	(18,768)
Profit After Tax (FRS 3)	(11,990)	(9,078)	(13,572)	(18,768)
Average Number of Shares Outstanding (m)	12.8	17.5	21.2	22.1
EPS - normalised (€)	(0.94)	(0.53)	(0.64)	(0.85)
EPS - FRS 3 (€)	(0.94)	(0.52)	(0.64)	(0.85)
Dividend per share (c)	0.0	0.0	0.0	0.0
BALANCE SHEET				
Fixed Assets	626	884	968	960
Intangible Assets	0	360	360	360
Tangible Assets	24	27	107	99
Other	602	497	501	501
Current Assets	17,855	14,222	18,922	20,162
Stocks	422	333	1,070	1,070
Debtors	2,636	2,486	3,163	3,163
Cash	14,797	11,164	14,456	15,696
Other	0	239	232	232
Current Liabilities	(5,764)	(4,061)	(6,757)	(5,057)
Creditors	(5,762)	(4,060)	(5,057)	(5,057)
Short term borrowings	(2)	(1)	(1,700)	0
Long Term Liabilities	(849)	(874)	(8,755)	(28,755)
Long term borrowings	(12)	(6)	(8,061)	(28,061)
Other long term liabilities	(837)	(869)	(695)	(695)
Net Assets	11,868	10,171	4,378	(12,690)
CASH FLOW				
Operating Cash Flow	(10,901)	(10,665)	(14,324)	(18,742)
Net Interest	0	0	0	0
Tax	0	0	0	0
Capex	(16)	(118)	(18)	(18)
Acquisitions/disposals	0	0	0	0
Financing	15,071	7,382	5,293	0
Dividends	0	0	0	0
Other	(446)	(232)	(9)	0
Net Cash Flow	3,708	(3,633)	(9,058)	(18,760)
Opening net debt/(cash)	(11,069)	(14,783)	(11,157)	(4,696)
HP finance leases initiated	0	0	0	0
Exchange rate movements	0	0	0	0
Other	6	7	2596	1700
Closing net debt/(cash)	(14,783)	(11,157)	(4,696)	12,364

Source: Quantum Genomics, Edison Investment Research

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