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Quantum Genomics Corp. (ALQGC.PA – Paris)

Two More Partnerships and a Capital Raise

Based on our DCF model and a 15% discount rate, Quantum Genomics is valued at approximately €16.00 per share. Our model applies a 50% probability of ultimate approval and commercialization for firibastat in hypertension and a 15% probability for heart failure. The model includes contributions from the United States, European Union, Latin America, Greater China, Canada, South Korea and Oceana.

Current Price (12/8/2020)	€4.82
Valuation	**€16.00**

OUTLOOK

Quantum Genomics is developing lead candidate firibastat for difficult to treat and resistant hypertension (HTN) and heart failure (HF). The BAPAI class drug blocks the conversion of A2 to A3 thereby preventing A3 binding with AT1 receptors which controls blood pressure via a triple mechanism of action.

Quantum is conducting a Ph3 trial for HTN in difficult-to-treat and resistant populations, a Ph2b trial in heart failure and a Ph1 in 1x/day HTN. We expect another Ph3 safety study for HTN and a Ph3 study in HF to start in 2021. The timeline also anticipates a HTN NDA filing in 2023.

HTN is a highly prevalent disease and a material portion of this population does not have the disease under control. Firibastat seeks to address this unmet need via a differentiated pathway complementary to currently approved therapies.

Our valuation assumes a 2023 regulatory submission in multiple geographies and subsequent commercialization. Partner Biolab is expected to pursue approval in select Latin American countries and commercialize throughout that region in 2023 and 2024 respectively.

SUMMARY DATA

52-Week High	**5.68**
52-Week Low	**1.51**
One-Year Return (%)	**50.6**
Beta	**0.95**
Average Daily Volume (sh)	**662,075**
Shares Outstanding (mil)	**26.7**
Market Capitalization (€mil)	**128.7**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**20.8**
Insider Ownership (%)	**10.3**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2020 Estimate	**N/A**
P/E using 2021 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of EUR)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	€0.0 A	€0.3 A	€0.0 A	€0.1 A	€0.4 A
2020	€0.0 A	€0.4 A	€0.0 E	€10.0 E	€10.4 E
2021	€0.0 E	€6.0 E	€0.0 E	€6.0 E	€12.0 E
2022					€15.0 E

Earnings per Share

	Q1	Q2	Q3	Q4	Year
2019	€0.00 A	-€0.24 A	€0.00 A	-€0.27 A	-€0.50 A
2020	€0.00 A	-€0.25 A	€0.00 E	€0.08 E	-€0.14 E
2021	€0.00 E	-€0.14 E	€0.00 E	-€0.16 E	-€0.29 E
2022					-€0.20 E

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WHAT'S NEW

Adding Korea to the Partner List

On December 2, 2020, Quantum Genomics Corp. (Paris: ALQGC) issued a press release introducing yet another partnership with a leading pharmaceutical company in Asia. Quantum signed an agreement with DongWha Pharm in Seoul, Korea which grants exclusive commercialization rights to the latter in the Republic of Korea for firibastat in difficult-to-treat or resistant hypertension. This marks the fourth partnership announced since September. The deal includes upfronts, milestones up to 18.5 million euros and double-digit royalties on sales. DongWha will participate in the global study of firibastat for difficult to treat and resistant hypertension.

Capital Raise

In addition to success on the partnership front, on December 2nd, Quantum announced that it was seeking to raise €16 million in a private placement with institutional investors. €5.5 million was already subscribed by Otium Capital and other investors as of the release date. Gilbert Dupont acted as the lead manager and bookrunner for the deal.

The following day, the private placement was concluded and Quantum was able to exceed its target and raised €20 million in the private placement. 4,445,476 shares were issued at €4.50 per share, a 7.8% discount to the trailing 20-day trading average. Following the transaction, 26.7 million shares are outstanding. This brings the total institutional ownership of Quantum to 20.8%, and participating shareholders Tethys and Otium Capital at 3.7% and 3.3% respectively. Retail shareholders now comprise 67.1% of the shares outstanding.

Recent Partnerships

Exclusive Licensing and Collaboration Agreement with Orient EuroPharma

On September 22, 2020, Quantum Genomics announced that it had entered into an exclusive licensing and collaboration agreement with Orient EuroPharma (OEP) for the commercialization of firibastat in South East Asia, Australia and New Zealand. In the agreement, Quantum Genomics will receive upfront and milestone payments up to US$19 million plus double-digit royalties on sales, with milestones based both on development and sales. The total upfront amount has not been disclosed.

Quantum Genomics is developing its lead candidate, firibastat, which is currently in Phase III trials for difficult to treat and resistant hypertension. Quantum has already developed a commercialization arrangement with Brazilian pharmaceutical company Biolab Sanus, signed in late 2019, for the development and commercialization of firibastat in the Latin American market. The agreement with Biolab Sanus provided exclusive commercialization rights in exchange for funding of clinical trials, upfronts and milestone payments and royalties.

Under the terms of the agreement, OEP will have exclusive rights to commercialize firibastat in difficult-to-treat or resistant hypertension in Taiwan, Malaysia, the Philippines, Singapore, Vietnam, Thailand, Indonesia, Myanmar, Cambodia, Australia and New Zealand. The estimated addressable population in these regions is 10 million people. OEP will also fund part of the Phase III study for firibastat in difficult to treat/resistant hypertension in Taiwan.

OEP

Founded in 1982, OEP started as a prescription drug distributor and has grown to become a multinational pharmaceutical company. The company was listed on the Taiwan Exchange in 2003. The company is now vertically integrated and engages in R&D, manufacturing, sales and clinical trials in the development and commercialization of pharmaceuticals. In 2019, OEP had over 1,000 employees and operated two subsidiaries, OrientPharma and OP NanoPharma. The company has three major business units that focus on prescription medicine, nutricare and anti-aging, respectively.

Exclusive Licensing and Collaboration Agreement with Qilu Pharmaceutical

On October 19, 2020, Quantum submitted a press release announcing a new licensing and collaboration agreement with Qilu Pharmaceutical. The new arrangement may provide Quantum up to $50 million in upfront and milestone payments over the life of the agreement. It also includes a double-digit royalty on sales of firibastat for the treatment of difficult-to-treat or resistant hypertension in the Greater China region, including Hong Kong and Macao.

Under the terms of the agreement, Qilu will have exclusive rights to develop and commercialize firibastat in the indicated regions, marking the second agreement with exposure to Asia. Quantum will receive upfront and milestones of up to $50 million as well as double-digit royalties on sales. The licensed regions region have an expansive population that is estimated to have from 25 to 30 million individuals with difficult to treat or resistant hypertension.

Qilu Pharma

Qilu Pharmaceutical is a Chinese-based global pharmaceutical firm with locations throughout China, The United States and in Brazil, Spain and Australia. Founded in 1958, the company has launched over 200 generic drug products over the last 38 years and commercializes products in over 70 countries. Qilu has a therapeutic focus in oncology, infectious diseases, neurological diseases, cardiovascular and cerebrovascular system diseases among other areas.

Exclusive Licensing Agreement with Xediton Pharmaceuticals

In October 2020, Quantum signed an exclusive agreement with Xediton Pharmaceuticals granting the latter rights to develop and commercialize firibastat. Xediton will maintain exclusive rights to market firibastat in Canada for difficult-to-treat or resistant hypertension. Quantum has already recruited patients in the country as part of the effort to seek approval for the product with Health Canada in conjunction with the Phase III FRESH study. Xediton will pay Quantum upfront and milestones of up to $11.35 million and double-digit royalties on sales of firibastat. From 1.0 to 1.5 million Canadians are estimated to suffer from difficult hypertension.

Xediton Pharmaceuticals

Xediton is an Ontario, Canada-based private pharmaceutical company selling prescription medicines, non-prescription medicines and medical devices. It offers a portfolio of sixteen products in the anti-fungal, anti-infective, pain, oncology and cardiovascular markets.

Exclusive Licensing Agreement with DongWha Pharm

On December 2, 2020, Quantum entered into a licensing and collaboration agreement with DongWha Pharm. The agreement grants commercialization rights to firibastat for the treatment of difficult-to-treat or resistant hypertension in South Korea. The agreement includes upfront and milestone payments of up to $18.5 million and double digit royalties on sales. DongWha will also participate in the global clinical trial and open clinical centers in Korea in support of the New Hope trial. There are an estimated one million individuals in South Korea in the addressible hypertension market.

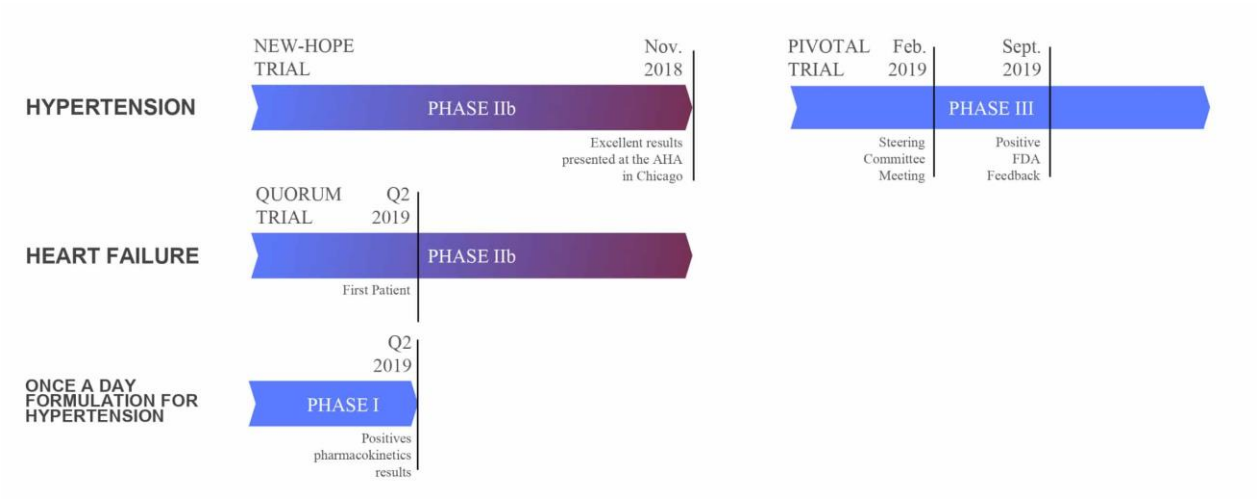
DongWha Pharm

DongWha Pharm was founded in 1897 with an early focus on medicine and cosmetics. The Seoul, Korea based pharmaceutical company offers a selection of over the counter medications, food and drink, health and beauty, cosmetic and other prescription drug products. DongWha also has a research and development division with candidates in the cardiovascular, anti-inflammatory, ulcerative colitis and other areas. The company's nationwide sales and marketing network make it a valuable partner for commercializing firibastat in South Korea assuming approval.

Pipeline

Quantum's pipeline consists of one drug, firibastat, with various formulations pursuing multiple indications. It is being investigated in difficult-to-treat and resistant hypertension, heart failure, renal failure also in once per day formulations. The candidate is currently in one Phase III trial for hypertension, one Phase II trial for heart failure and Phase I trials for QD formulation hypertension and renal failure.

Exhibit I - Quantum Development Pipeline[1]



Valuation

We update our valuation to reflect the partnerships with DongWha Pharm in Korea, Xediton Pharmaceuticals in Canada and the issuance of additional shares related to the early December private placement. We estimate approximately one million individuals suffering from uncontrolled hypertension in South Korea and one and a half million in Canada. Penetration in these countries will be similar to our forecasts for other regions, with an initial 0.25% penetration in 2024 rising to 1.5% by year four where it will remain until intellectual property protection ends. Pricing in South Korea and Canada is estimated to be from 40-45% of levels in the US, producing an annual cost of treatment in the mid-$2,000 range per patient.

As with other regions we assume an all-in royalty of 30% which includes value from milestones and royalties. We do not change our estimates for other regions or indications. The result of the addition of the DongWha and Xediton partnerships and the impact of the December 3rd capital raise improve our target price to €16 per share.

Summary

Quantum Genomics continues to make headway in the clinic and has had an impressive run of partnerships signed in recent months. Additional opportunity remains for other deals in countries such as Japan, India, North America and Europe. Cash burn of approximately €1 million per month, closure of €20 million in private placement proceeds and perhaps up to €20 million more in upfronts combined with cash reserves of €13.2 million suggest a long runway and sufficient cash to extend to at least the end of 2022. We expect additional upfront funds in coming quarters which will further support development programs. Quantum continues to build a global market for firibastat with development and commercialization partnerships established now in Canada, South Korea, Latin America, Southeast Asia, Australia and New Zealand. We reflect these additions in an increase to our target price to €16 per share.

[1] Source: Quantum Genomics Website: https://quantum-genomics.com/en/science/pipeline/

PROJECTED FINANCIALS

Quantum Genomics Corp. - Income Statement[2]

Quantum Genomics Corp.	1H A	2H A	2019 A	1H A	2H E	2020 E	1H E	2H E	2021 E	2022 E
Total Revenues (€)	€ 285	€ 76	€ 361	€ 377	€ 10,000	€ 10,377	€ 6,000	€ 6,000	€ 12,000	€ 15,000
YOY Growth	333%	1304%	407%	32%	12997%	2774%	1490%	-40%	16%	25%
Raw Materials & Supplies	€ 0	€ 89	€ 89	€ 269	€ 45	€ 314	€ 45	€ 45	€ 90	€ 90
Other Purchases & Expenses	€ 3,946	€ 3,853	€ 7,799	€ 4,837	€ 6,050	€ 10,887	€ 8,500	€ 9,000	€ 17,500	€ 18,000
Taxes	€ 9	€ 2	€ 10	€ 12	€ 5	€ 17	€ 10	€ 10	€ 20	€ 20
Wages & Salaries	€ 916	€ 814	€ 1,730	€ 813	€ 865	€ 1,678	€ 1,000	€ 1,000	€ 2,000	€ 2,100
Social Security Charges	€ 660	€ 385	€ 1,045	€ 321	€ 500	€ 821	€ 600	€ 600	€ 1,200	€ 1,250
Depreciation & Provisions	€ 7	€ 299	€ 306	€ 5	€ 300	€ 305	€ 6	€ 300	€ 306	€ 310
Other Expenses	€ 71	€ 69	€ 140	€ 75	€ 60	€ 135	€ 70	€ 70	€ 140	€ 150
Income from operations	(€ 5,324)	(€ 5,436)	(€ 10,760)	(€ 5,955)	€ 2,175	(€ 3,780)	(€ 4,231)	(€ 5,025)	(€ 9,256)	(€ 6,920)
Operating Margin	-1870%	-7119%	-2979%	-1578%	22%	-36%	-71%	-84%	-77%	-46%
Financial Income	€ 6	€ 5	€ 11	€ 3	€ 2	€ 5	€ 3	€ 3	€ 6	€ 6
Financial Expenses	€ 0	€ 0	€ 0	€ 5	€ 0	€ 5	€ 0	€ 0	€ 0	€ 0
Exceptional Items	€ 304	(€ 181)	€ 123	€ 17	€ 0	€ 17	€ 0	€ 0	€ 0	€ 0
Pre-Tax Income	(€ 5,014)	(€ 5,611)	(€ 10,626)	(€ 5,941)	€ 2,177	(€ 3,764)	(€ 4,228)	(€ 5,022)	(€ 9,250)	(€ 6,914)
Provision for Income Tax	(€ 886)	(€ 662)	(€ 1,547)	(€ 860)	€ 327	(€ 533)	(€ 634)	(€ 753)	(€ 1,388)	(€ 1,037)
Tax Rate	17.7%	11.8%	14.6%	15.0%	15.0%	14.2%	15.0%	15.0%	15.0%	15.0%
Net Income	(€ 4,129)	(€ 4,950)	(€ 9,078)	(€ 5,081)	€ 1,850	(€ 3,231)	(€ 3,594)	(€ 4,269)	(€ 7,863)	(€ 5,877)
Reported EPS	(€ 0.24)	(€ 0.27)	(€ 0.50)	(€ 0.25)	€ 0.07	(€ 0.12)	(€ 0.13)	(€ 0.16)	(€ 0.29)	(€ 0.20)
Basic Shares Outstanding	16,886	18,065	18,065	20,500	26,673	26,673	27,000	27,000	27,000	30,000

Source: Company Filing // Zacks Investment Research, Inc. Estimates

[2] Historical financial statement information presents data as originally reported.

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HISTORICAL STOCK PRICE

Quantum Genomics Corp. – Share Price Chart (€)[3]



[3] Source: barchart.com

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