

Quantum Genomics Corp.

(ALQGC.PA – Paris)

Adding New Investment from Orient

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 Oceania.

Current Price (4/1/2021)

€4.67

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 two Ph3 trials for HTN in difficult-to-treat and resistant populations (FRESH & REFRESH), a Ph2b trial in heart failure (QUORUM) and a Ph1 in 1x/day HTN. We expect the REFRESH Ph3 safety study for HTN 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	2.00
One-Year Return (%)	128
Beta	0.86
Average Daily Volume (sh)	412,962

Shares Outstanding (mil)	26.8
Market Capitalization (€mil)	125
Short Interest Ratio (days)	N/A
Institutional Ownership (%)	20.9
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
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Risk Level	Above Average
Type of Stock	Small-Growth
Industry	Med-Biomed/Gene

ZACKS ESTIMATES

Revenue

(In millions of EUR)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(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	€1.9 A	€2.3 A
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 A	-€0.25 A	-€0.43 A
2021	€0.00 E	-€0.19 E	€0.00 E	-€0.26 E	-€0.44 E
2022					-€0.20 E

WHAT'S NEW

2020 Financial and Operational Results

2020 was an outstanding year for Quantum Genomics with numerous capital infusions, partnerships, commercialization deals and clinical trial activity for firibastat during the most serious pandemic in a century. The company obtained €28.5 million from financings with Negma and a broadly subscribed capital raise and added other funds from partner upfront payments producing a cash balance of €27.2 million in cash as of December 31, 2020. Five partnerships were signed over the last year, adding future development and commercialization efforts in Canada, Greece, Asia and Oceania. Following the end of the reporting period, Quantum announced the launch of the RE-FRESH study which will investigate the efficacy and safety of firibastat for difficult-to-treat and resistant hypertension using a once per day formulation. In the financial reporting sphere, Quantum generated €2.3 million in revenue from licensing agreements and presented a loss of (€11.5) million or (€0.43) per share in 2020.

For the fiscal year ending December 31, 2020 and versus the fiscal year ending December 31, 2019:

- Total revenues were €2.3 million vs. €361,000;
- Raw materials and supplies were €1.0 million vs. €89,000;
- Other purchases and expenses, which includes research and development, were €12.3 million vs. €7.8 million;
- Wages and salaries totaled €1.5 million vs. €1.7 million;
- Other expenses, which include social security charges, depreciation, taxes and other, were €1.3 million vs. €1.5 million;
- Exceptional items were a net €178,000 vs. €123,000;
- Net loss was (€11.5) million, or (€0.43) per share vs. (€9.1) million and (€0.50) per share;

Orient EuroPharma Acquires Stake

Last September, Quantum [signed](#) a collaboration agreement with Orient EuroPharma that provided an exclusive license to develop and commercialize firibastat in Southeast Asia, Australia and New Zealand in return for upfronts, milestones and double digit royalties. This February, Orient [announced](#) an equity interest in Quantum totaling approximately €870,000. The shares are subject to a three year lock-up period. In addition to providing Quantum additional capital to advance the clinical programs, the investment also gives Orient EuroPharma an increased interest in the global success of firibastat.

Capital Raise

In addition to the infusion from Orient, 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 20.9%, 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

Quantum recently announced that it had recruited Delpharm in the manufacture of firibastat tablets for its clinical trials. Pending firibastat's approval, Delpharm will also be responsible for manufacturing commercial batches as well. Since the first [agreement](#) signed with Biolab Sanus in December 2019, Quantum has added significantly to its partnerships for the development and commercialization of firibastat. Partnered companies now include Biolab Sanus, Orient EuroPharma (OEP), Qilu Pharmaceutical, Xediton Pharmaceuticals, DongWha Pharm and Faran. Together, these partnerships open up key markets in Asia, the Americas and now Europe.

Delpharm Contracted to Produce Firibastat Tablets

On December 16, 2020, Quantum [announced](#) the signing of a strategic contract with Delpharm for the manufacture of the next clinical batches of firibastat tablets on an industrial scale and the establishment of production lines for future commercial batches. The tablets produced will support Quantum as pivotal trials for firibastat progress. As a part of the agreement, Delpharm is also preparing industrial scale manufacturing capacity in anticipation for firibastat's marketing approval.

Delpharm

Delpharm is a contract drug manufacturing and development company based in France, operating 17 manufacturing plants across Europe and Canada. Founded in 1988, the company provides manufacturing services for both clinical stage programs as well as commercialized drugs. Delpharm has 4,700 employees, turnover of €800 million and a customer list that includes top global pharmaceutical firms.

Partnerships for Development and Commercialization

Quantum has recently forged agreements with several development and commercialization partners. The list of affiliates which Quantum has accumulated in a little over a year is presented below.

Exhibit I – Development and Commercialization Partnerships¹

Partner	Date	Territory	Consideration
Biolab Sanus	9-Dec-19	Latin America	\$21.2M + royalties
Orient EuroPharma	22-Sep-20	Taiwan, Southeast Asia, ² Australia and New Zealand	\$19M + double digit royalties
Qilu Pharmaceutical	19-Oct-20	Greater China including Hong Kong and Macao	\$50M + double digit royalties
Xediton Pharmaceuticals	28-Oct-20	Canada	\$11.35M + double digit royalties
DongWha Pharm	2-Dec-20	South Korea	\$18.5M + double digit royalties
Faran	15-Dec-20	Greece	\$12.1 million + double digit royalties

Exclusive Licensing and Collaboration Agreement with Biolab Sanus

Establishment of commercialization partners for firibastat began with an agreement with Biolab Sanus. Under the terms of the agreement, Quantum will receive upfronts and milestones of up to \$21.2 million and royalties in exchange for exclusive commercialization rights in Latin America. Biolab agreed to fund part of the Phase III study in difficult-to-treat/resistant hypertension in Latin America, a part of the overall pivotal evaluation of firibastat.

Biolab Sanus

[Biolab Sanus Pharmaceuticals](#) is one of the five largest pharmaceutical companies in Brazil and the leader in cardiology and arterial hypertension. The company operates four production facilities (plants) in Jandira, Taboão da Serra, Bragança Paulista, and Rio de Janeiro. Together, these production facilities produce over 100 million units per year. In addition, it has research and development facilities in Itapeverica da Serra and Mississauga, Ontario. It has one distribution center in Extrema and headquarters in São Paulo. Across the company, there are 3,200 employees, and the sales team alone consists of 1,400 representatives. The company features a portfolio with over 100 products, substantial investment in research and development and commitment to over 50 international 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

¹ Compiled by Zacks Analysts

² Malaysia, Philippines, Singapore, Vietnam, Thailand, Indonesia, Myanmar, Cambodia

million plus double-digit royalties on sales, with milestones based both on development and sales. The total upfront amount has not been disclosed.

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, nutriceuticals 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 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

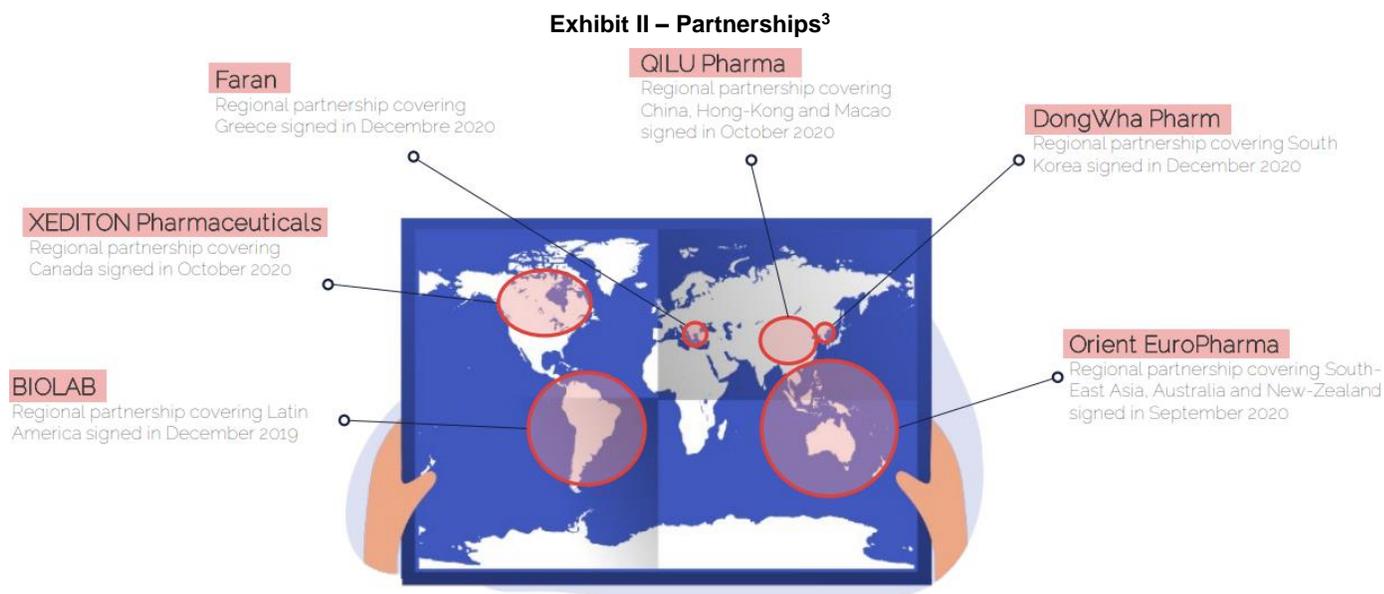
On December 2, 2020, Quantum [entered](#) into a licensing and collaboration agreement with [DongWha Pharm](#). The agreement grants commercialization rights to firibastat for the treatment of difficult-to-treat or resistant hypertension in South Korea. The agreement includes upfront and milestone payments 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 addressable 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.

Exclusive Licensing Agreement with Faran

Announced on December 15, 2020, Quantum entered into an exclusive licensing and collaboration agreement with Faran, a pharmaceutical company based in Greece. Faran obtained exclusive commercialization rights for firibastat in difficult-to-treat/resistant hypertension in Greece. In exchange, Quantum will receive milestone and upfront payments of up to \$12.1 million and double-digit royalties on sales. Faran is a Greek pharmaceutical company founded in 1950 with turnover of €37.2 million in 2019. Faran has 78 employees, and has collaborated with top pharmaceutical names such as Meiji, Sandoz, and Novartis Hellas.



Phase III REFRESH Launched

On January 18, 2021, Quantum **announced** the launch of REFRESH, a Phase III pivotal trial of once daily firibastat in difficult-to-treat⁴ hypertension and resistant⁵ hypertension, a key milestone in the pursuit of global commercialization for Quantum's lead candidate. The study is part of an overall Phase III evaluation of firibastat. If successful, the once daily administration will provide additional convenience and compliance compared to the twice daily regimen being investigated in the FRESH trials. The goal of REFRESH is to assess both long-term safety and three-month efficacy in the once-daily dose. The launch of the trial will not impact the anticipated timeline for the filing of firibastat which is expected in 2023.

Dosing for REFRESH will be 1000 mg firibastat, administered once per day to individuals with treatment-resistant hypertension. The study will target enrollment of 750 patients in Europe, Canada and the US, and in China, Taiwan and South Korea with the help of commercial partners. The total number of target sites has not yet been determined as Quantum is still finalizing territories and associated partnerships. Some clinical sites are already being used in other Quantum trials easing site selection, while others, in new geographies, will need to be established.

³ Source: Quantum Genomics [March 2021 Corporate Presentation](#)

⁴ Hypertension that is not controlled despite two antihypertensive classes, including a diuretic, at maximum tolerated doses.

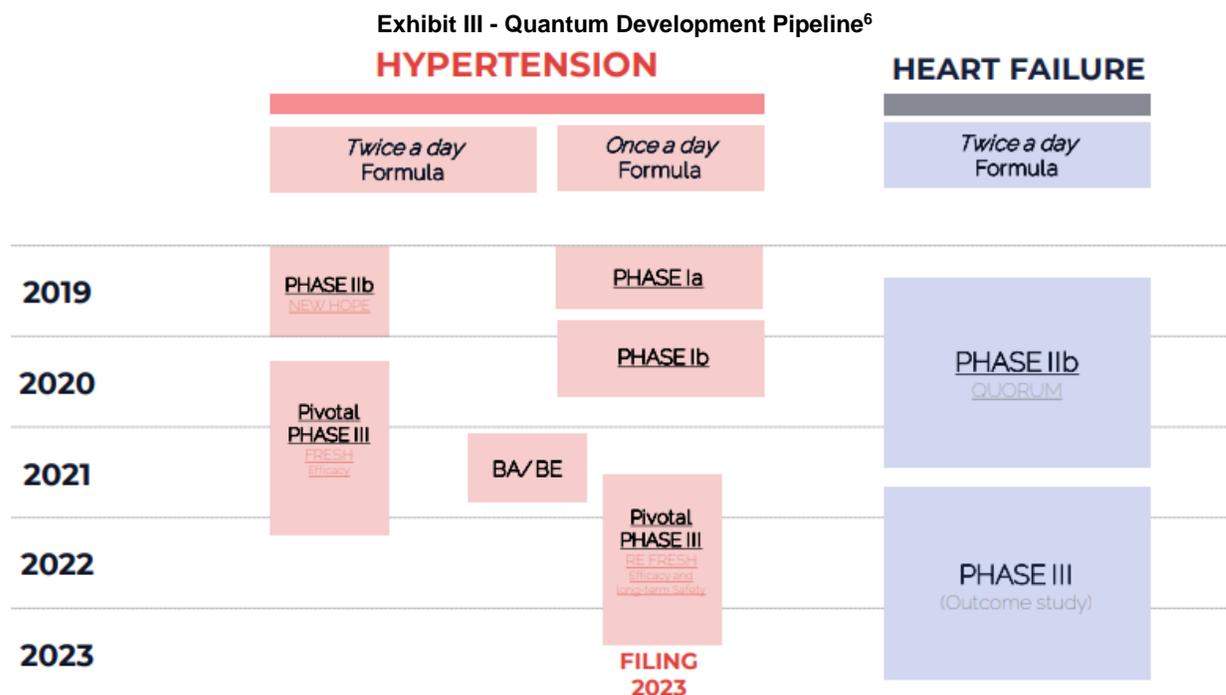
⁵ Hypertension that is not controlled despite treatment with at least three antihypertensive classes, including a diuretic, at maximum tolerated doses.

For the first three months of treatment, patients in REFRESH will receive 1000 mg firibastat once-daily in addition to their current regimen. The primary endpoint is reduction in systolic automated office blood pressure from baseline. Following the three-month efficacy evaluation, treatment will continue with follow-up for six months. 100 patients will receive follow up exams at 12 months to assess long-term safety. As hypertension often requires chronic use of medication, the long-term safety data generated in REFRESH is necessary for submission of a New Drug Application (NDA).

Site selection is underway and Quantum is simultaneously interfacing with regulatory entities in target countries. First patient enrollment is expected in mid-year with efficacy and six-month safety results anticipated in 2023 with NDA submission and potential commercialization following thereafter.

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.



⁶ Source: Quantum Genomics March 2021 Corporate Presentation

Milestones

- FRESH first patient enrolled – July 2020
- €20 million private placement – December 2020
- Launch REFRESH study – 2Q:21
- Orient EuroPharma Equity Stake – February 2021
- QUORUM Phase II results – Mid-year 2021
- Enroll first patient in REFRESH study – Mid-year 2021
- FRESH study results – 4Q:21
- With sufficient data and funding launch Ph3 outcome study in HF – 2021/2022
- Topline results for REFRESH study – Mid-year 2023

Summary

Quantum Genomics continues to make headway in the clinic and has had an impressive run of partnerships signed in recent months. Quantum is building a global market for firibastat with development and commercialization partnerships established now in Canada, South Korea, Latin America, Southeast Asia, Australia, Greece and New Zealand. Additional opportunity remains for other deals in countries such as Japan, India, North America and unpenetrated areas in Europe. New investments from partners and cash reserves of almost €29 million suggest a runway to at least the end of 2022. We expect additional upfront funds in coming quarters which will further support development programs and perhaps obviate the need for further capital raises. We maintain our target price of €16 per share.

PROJECTED FINANCIALS

Quantum Genomics Corp. - Income Statement⁷

Quantum Genomics Corp.	1H A	2H A	2019 A	1H A	2H A	2020 A	2021 E	2022 E
Total Revenues (€,000)	€ 285	€ 76	€ 361	€ 377	€ 1,884	€ 2,262	€ 12,000	€ 15,000
YOY Growth	333%	1304%	407%	32%	2368%	526%	431%	25%
Raw Materials & Supplies	€ 0	€ 89	€ 89	€ 269	€ 736	€ 1,005	€ 90	€ 90
Other Purchases & Expenses	€ 3,946	€ 3,853	€ 7,799	€ 4,837	€ 7,466	€ 12,303	€ 22,200	€ 18,000
Taxes	€ 9	€ 2	€ 10	€ 12	€ 9	€ 20	€ 20	€ 20
Wages & Salaries	€ 916	€ 814	€ 1,730	€ 813	€ 719	€ 1,532	€ 2,000	€ 2,100
Social Security Charges	€ 660	€ 385	€ 1,045	€ 321	€ 475	€ 797	€ 1,200	€ 1,250
Depreciation & Provisions	€ 7	€ 299	€ 306	€ 5	€ 320	€ 325	€ 306	€ 310
Other Expenses	€ 71	€ 69	€ 140	€ 75	€ 62	€ 137	€ 140	€ 150
Income from operations	(€ 5,324)	(€ 5,436)	(€ 10,760)	(€ 5,955)	(€ 7,902)	(€ 13,858)	(€ 13,956)	(€ 6,920)
Operating Margin	-1870%	-7119%	-2979%	-1578%	-419%	-613%	-116%	-46%
Financial Income	€ 6	€ 5	€ 11	€ 3	€ 2	€ 6	€ 6	€ 6
Financial Expenses	€ 0	€ 0	€ 0	€ 5	€ 0	€ 11	€ 0	€ 0
Exceptional Items	€ 304	(€ 181)	€ 123	€ 17	€ 0	€ 178	€ 0	€ 0
Pre-Tax Income	(€ 5,014)	(€ 5,611)	(€ 10,626)	(€ 5,941)	(€ 7,900)	(€ 13,684)	(€ 13,950)	(€ 6,914)
Provision for Income Tax	(€ 886)	(€ 662)	(€ 1,547)	(€ 860)	(€ 1,185)	(€ 2,148)	(€ 2,093)	(€ 1,037)
Tax Rate	17.7%	11.8%	14.6%	15.0%	15.0%	15.7%	15.0%	15.0%
Net Income	(€ 4,129)	(€ 4,950)	(€ 9,078)	(€ 5,081)	(€ 6,715)	(€ 11,537)	(€ 11,858)	(€ 5,877)
Reported EPS	(€ 0.24)	(€ 0.27)	(€ 0.50)	(€ 0.25)	(€ 0.25)	(€ 0.43)	(€ 0.44)	(€ 0.20)
Basic Shares Outstanding	16,886	18,065	18,065	20,500	26,712	26,712	27,000	30,000

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

⁷ Historical financial statement information presents data as originally reported.

HISTORICAL STOCK PRICE

Quantum Genomics Corp. – Share Price Chart (€)⁸



⁸ Source: barchart.com

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