INVEST SECURITIES

NOXXON

BUY

TARGET PRICE : 2.8€ (vs 4.9€) +273%

COMPANY UPDATE

GBM COULD STRENGTHEN NOX-A12 CASE

The company presented updated results from the Phase 1/2 study of its lead product, NOX-A12, in combination with Keytruda in patients with microsatellite-stable metastatic pancreatic and colorectal cancer at AACR in April. The presented results confirmed clinical activity of NOX-A12, and the company is seeking a partner to support further development of NOX-A12 in these indications. Additionally, NOXXON is planning to start a Phase 1/2 study of NOX-A12 plus radiotherapy in glioblastoma. Following the 2018 financial results we have updated our financial model. As a result of the projected capital raise and rolling our model forward, we lower our TP to €2.8 (vs €4.9). Reiterate BUY.

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Updated NOX-A12 plus Keytruda results presented at AACR

In April, NOXXON presented updated results from the Phase 1/2 study of its NOX-A12 in combination with Keytruda (anti-PD-1 from MERCK & CO) in patients with microsatellite-stable, metastatic pancreatic and colorectal cancer in a poster presentation at the American Association for Cancer Research (AACR) Annual Meeting. Recall, NOX-A12, company's most advanced asset, is based on the proprietary Spielgemer technology and tackles tumor microenvironment (TME) through inhibition of CXCL12 chemokine. By inhibiting CXCL12 activity, NOX-A12 could eliminate the defensive mechanisms of TME, making cancer more susceptible to the cytotoxic and immunotherapies. The top-line results form the Phase 1/2 study were presented earlier, in December 2018, and the clinical update showed that overall survival (OS) in the study was 48% and 33% at 6 and 12 months, respectively. We note that studied population had multiple prior lines of treatment and estimated survival of less than 6 months. Additionally, it confirmed that NOX-A12 in combination with Keytruda achieved disease stabilization in 22% of PaC patients (n=9) and 27% of CRC patients (n=11).

Importantly, all patients in the study had microsatellite-stable (MSS) tumors, a subpopulation that does not respond to anti-PD-1 therapy. For instance, while Keytruda achieved objective response rate (ORR) of 36% in CRC with high microsatellite-instability (MSI-H) (n=90), the best response that was seen in MSS CRC was 11% SD (n=18). In PaC patients, Keytruda showed 83% ORR (n=6) in MSI-H disease and no reported responses in MSS type. These historical data suggest that the observed benefits could be attributed to the combination regimen rather than Keytruda alone.

We also note that the rival drug, BL-8040 from BIOLINERX, in combination with Keytruda, achieved partial response in 3% and stable disease in 34.5% of patients with recurrent PaC (n=29). Albeit 58% of patients in the BioLineRx study had just 1 prior line of therapy, suggesting more favorable disease profile. In this population, BL-8040 plus Keytruda showed 6-months OS rate of about 34%. Although the OS results are difficult to compare between two studies, as NOX-A12's data included both PaC and CRC patients.

continued on next page

in € / share	2018	2019e	2020e
Adjusted EPS	-2.70	-0.36	0.22
chg.	*n.s.*	*n.s.*	*n.s.*
estimates chg.	*n.s.*	*n.s.*	*n.s.*

au 31/12	2018	2019e	2020e
PE	n.s.	n.s.	3.4x
EV/Sales	21.35x	27.58x	0.36x
EV/EBITDA	n.s.	n.s.	0.7x
EV/EBITA	n.s.	n.s.	0.7x
FCF yield*	n.s.	n.s.	98.1%
Div. yield (%)	n.s.	n.s.	n.s.

* After tax op. FCF before WCR

key points	
Share price (€)	0.8
Number of Shares (m)	10.1
Market cap. (€m)	8
Free float (€m)	0
ISIN	NL0012044762
Ticker	ALNOX-FR
DJ Sector	Health Technology

	1m	3m	Ytd
Absolute perf.	-9.0%	-8.4%	-26.4%
Relative perf.	-14.1%	-16.0%	-36.8%

Source : Factset, Invest Securities estimates

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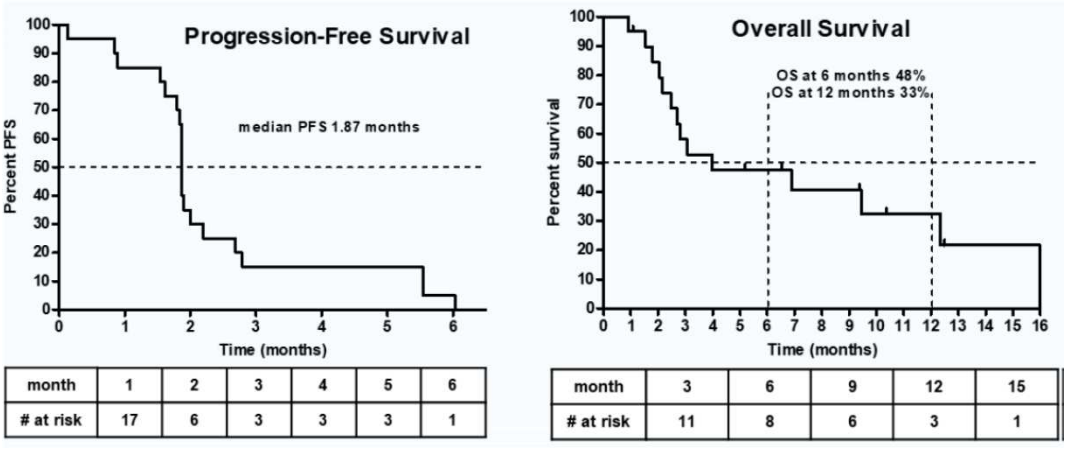
Exhibit 1: PFS and OS of all patients treated with NOX-A12 plus Keytruda



month	1	2	3	4	5	6
# at risk	17	6	3	3	3	1

month	3	6	9	12	15
# at risk	11	8	6	3	1

Source : AACR presentation, 2019

According to management, the company would seek a development partner for NOX-A12 plus immunotherapy program in PaC and CRC. We currently expect the company to secure a licensing agreement for NOX-A12 in these indications in 2020. We project the combination of NOX-A12 plus immunotherapy to reach market for the PaC and CRC in the US and the EU in 2023, generating €24M in risk-adjusted revenues and growing to €235M by 2029.

Anticipating the start of GBM study

NOXXON is also planning to initiate a Phase 1/2 study of NOX-A12 in combination with radiotherapy in glioblastoma (GBM) patients with unmethylated MGMT. GBM remains the most frequent primary brain tumor, with a high recurrence rate and very poor survival prognosis (3-20 months). Currently, the standard first-line treatment for GBM includes radiotherapy (RT) plus temozolomide (TMZ), a chemotherapy agent. GBM patients with unmethylated MGMT (O6-methylguanine-DNA methyltransferase) signature are unlikely to respond to TMZ and represent a population with high unmet medical need. Scientific evidence suggested that inhibition of the CXCL12 activity, a primary target of NOX-A12, could lead to suppression of GBM. Importantly, in the preclinical models of GBM, the combination of NOX-A12 plus RT was able to substantially increase the survival of tumor-bearing rats.

In February 2019, the company announced that it filed the clinical trial application with the German Federal Institute for Drugs and Medical Devices to start a Phase 1/2 clinical study, which will evaluate 3 different doses of NOX-A12 in combination with RT in treatment of newly diagnosed GBM patients. According to company, the primary endpoints would include safety and tolerability of NOX-A12 plus RT, whereas secondary endpoints would assess the response rate, overall survival, progression-free survival and tumor vascularization rate. We currently expect the potential readout in mid-2020. We believe that the preliminary results in GBM could further support the potential of NOX-A12 in oncologic indications and strengthen the case for a prospective commercialization partner. According to management, the company would raise additional funds prior to the initiation of this study.

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More preclinical data to support NOX-E36 program

NOXXON's second clinical asset, NOX-E36, showed encouraging biological activity in the mouse model of hepatocellular cancer. Recall, NOX-E36 is designed to inhibit the activity of C-C motif ligand 2 (CCL2) chemokine, as well as several closely related chemokines. Elevated CCL2 levels in the TME are associated with the poor prognosis in oncologic patients. Within the TME, CCL2 can recruit the immunosuppressive cells, such as tumor-associated macrophages (TAM). Accumulation of TAMs in TME could drive tumor cell proliferation, angiogenesis, metastasis, immunosuppression, and drug resistance. NOX-E36 neutralizes CCL2, which could potentially eliminate the recruitment of TAMs to the TME.

Previously, NOX-E36 was able to prevent the recruitment of TAMs, increase the infiltration of cytotoxic T cells and reduce the tumor size in the preclinical model of pancreatic cancer. The company recently published results in a mouse model of hepatocellular cancer, showing that in this model as well the treatment with mNOX-E36 inhibited the infiltration of TAMs, reduced pathogenic vascularization and tumor volume in the mice liver.

Financial update

NOXXON released 2018 full-year financial results on April, 12. The company reported operating income of €0.38M, compared to our estimates of €0.15M, and net loss of €10.7M, compared to our estimates of €4.1M. The difference mainly resulted from the €2.6M financial liability recognized to its fair value of €4.7M, financial cost of €2.6M in connection to issuance of Yorkville shares and additional €1.6M financial costs related to various transactions. The operational expenses totaled €4.3M, in-line with our expectation. We have updated our model to reflect the 2018 financial results. For 2019, we project operating income of €0.4M and a net loss of €4.7M. The company ended 2018 with €4.3M in cash and cash equivalents, which we believe is sufficient to fund company's operations until 4Q19.

Changes to our model

To stay conservative in our estimates we made the following changes to our financial projections: i) considering the current stock price and the cashless option for warrants exercise in Acuitas agreement, we project the conservative scenario of cashless conversion of warrants into NOXXON's shares amounted 2x of number of warrants issued to Acuitas originally; ii) updated WACC to account for changes in market volatility, which resulted in WACC of 16%, higher than previous 15.2%; ii) iii) added projected capital raise in 2019; iv) updated the model to reflect reported financial results. As a result of these changes and rolling our model forward, we change our TP to €2.8, lower than previous €4.9. Reiterate BUY.

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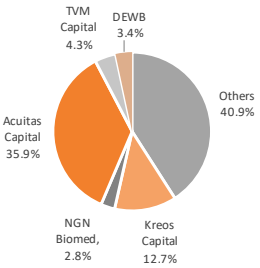
INVESTMENT CASE

NOXXON PHARMA is leveraging its proprietary Spiegelmer technology to develop the new therapeutics for oncologic indication. The topline results from the Phase 1/2 study of the company's most advanced asset, NOX-A12, in combination with Keytruda showed positive clinical activity in the heavily pretreated patients with pancreatic and colorectal cancer. Considering the observed therapeutic benefits in patients with the microsatellite stable tumors, we believe that NOX-A12 is a promising combination partner and an attractive in-licensing asset. In our view, NOXXON PHARMA, with the promising mid-stage clinical program, is an attractive option for the investors interested in oncology space.

FINANCIALS

Shareholders



Share information	2015	2016	2017	2018	2019e	2020e	2021e	2022e
Published EPS (€)	-14.77	-6.71	-2.54	-2.70	-0.36	0.22	-0.33	2.58
Adjusted EPS (€)	**-14.77**	**-6.71**	**-2.54**	**-2.70**	**-0.36**	**0.22**	**-0.33**	**2.58**
Diff. I.S. vs Consensus	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*
Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Valuation ratios	2015	2016	2017	2018	2019e	2020e	2021e	2022e
P/E	n.s.	n.s.	n.s.	n.s.	n.s.	4.9x	n.s.	0.4x
EV/Sales	n.s.	87.92x	144.40x	21.35x	27.58x	0.36x	23.44x	-0.70x
VE/EBITDA	n.s.	n.s.	n.s.	n.s.	n.s.	0.7x	n.s.	-0.8x
VE/EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	0.7x	n.s.	-0.8x
Op. FCF bef. WCR yield	n.s.	n.s.	n.s.	n.s.	n.s.	98.1%	n.s.	-124.1%
Op. FCF yield	n.s.	n.s.	n.s.	n.s.	n.s.	98.1%	n.s.	-124.1%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2015	2016	2017	2018	2019e	2020e	2021e	2022e
Share price in €	*n.s.*	*22.0*	*15.6*	*1.1*	*1.1*	*1.1*	*1.1*	*1.1*
Market cap.	*n.s.*	45	36	8	8	8	8	8
Net Debt	*4.6*	*0.6*	*1.9*	*0.5*	*2.8*	*-3.9*	*1.3*	*-42.7*
Minorities	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Provisions/ near-debt	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
+/- Adjustments	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Entreprise Value (EV)	**n.s.**	**46**	**38**	**8**	**10**	**4**	**9**	**-35**

Income statement (€m)	2015	2016	2017	2018	2019e	2020e	2021e	2022e
Sales	0	1	0	0	0	10	0	50
chg.	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*
EBITDA	-15	-8	-5	-4	-5	5	-6	44
EBITA	**-15**	**-9**	**-5**	**-4**	**-5**	**5**	**-6**	**44**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***
EBIT	-15	-9	-5	-4	-5	5	-6	44
Financial result	-1	-2	-1	-6	0	0	0	0
Corp. tax	0	0	0	0	0	-1	0	0
Minorities+affiliates	0	0	0	0	0	0	0	0
Net attributable profit	-16	-11	-5	-11	-5	4	-6	44
Adjusted net att. profit	**-16**	**-11**	**-5**	**-11**	**-5**	**4**	**-6**	**44**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***

Cash flow statement (€m	2015	2016	2017	2018	2019e	2020e	2021e	2022e
EBITDA	-15	-8	-5	-4	-5	5	-6	44
Theoretical Tax / EBITA	0	0	0	0	0	-1	0	0
Capex	0	0	0	0	0	0	0	0
Operating FCF bef. WCR	**-15**	**-8**	**-5**	**-4**	**-5**	**4**	**-6**	**44**
Change in WCR	-1	1	0	0	0	0	0	0
Operating FCF	**-15**	**-7**	**-5**	**-4**	**-5**	**4**	**-6**	**44**
Acquisitions/disposals	0	0	0	0	0	0	0	0
Capital increase/decrease	16	7	3	8	2	3	0	0
Dividends paid	0	0	0	0	0	0	0	0
Other adjustments	-1	-2	-1	-6	0	0	0	0
Published FreeCash Flow	**-1**	**-2**	**-3**	**-3**	**-3**	**6**	**-6**	**44**

Balance Sheet (€m)	2015	2016	2017	2018	2019e	2020e	2021e	2022e
Assets	1	0	0	0	0	0	0	0
Intangible assets/GW	0	0	0	0	0	0	0	0
WCR	-3	-2	-2	-2	-2	-2	-2	-2
Group equity capital	-7	-2	-4	-3	-5	2	-3	41
Minority shareholders	0	0	0	0	0	0	0	0
Provisions	0	0	0	0	0	0	0	0
Net financial debt	**5**	**1**	**2**	**0**	**3**	**-4**	**1**	**-43**

Financial ratios	2015	2016	2017	2018	2019e	2020e	2021e	2022e
EBITDA margin	n.s.	n.s.	n.s.	n.s.	n.s.	49.4%	n.s.	86.6%
EBITA margin	n.s.	n.s.	n.s.	n.s.	n.s.	49.4%	n.s.	86.6%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	35.4%	n.s.	86.6%
ROCE	n.s.	n.s.	n.s.	n.s.	n.s.	-237.4%	n.s.	-2017.8%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	213.3%	n.s.	107.4%
Gearing	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
ND/EBITDA (in x)	n.s.	n.s.	n.s.	n.s.	n.s.	-0.8x	n.s.	-1.0x

Source : company, Invest Securities Estimates

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NOXXON

SWOT ANALYSIS

STRENGTHS

- Unique mechanism of action
- Mid-stage clinical programs

WEAKNESSES

- Competitive market
- Potential dilution

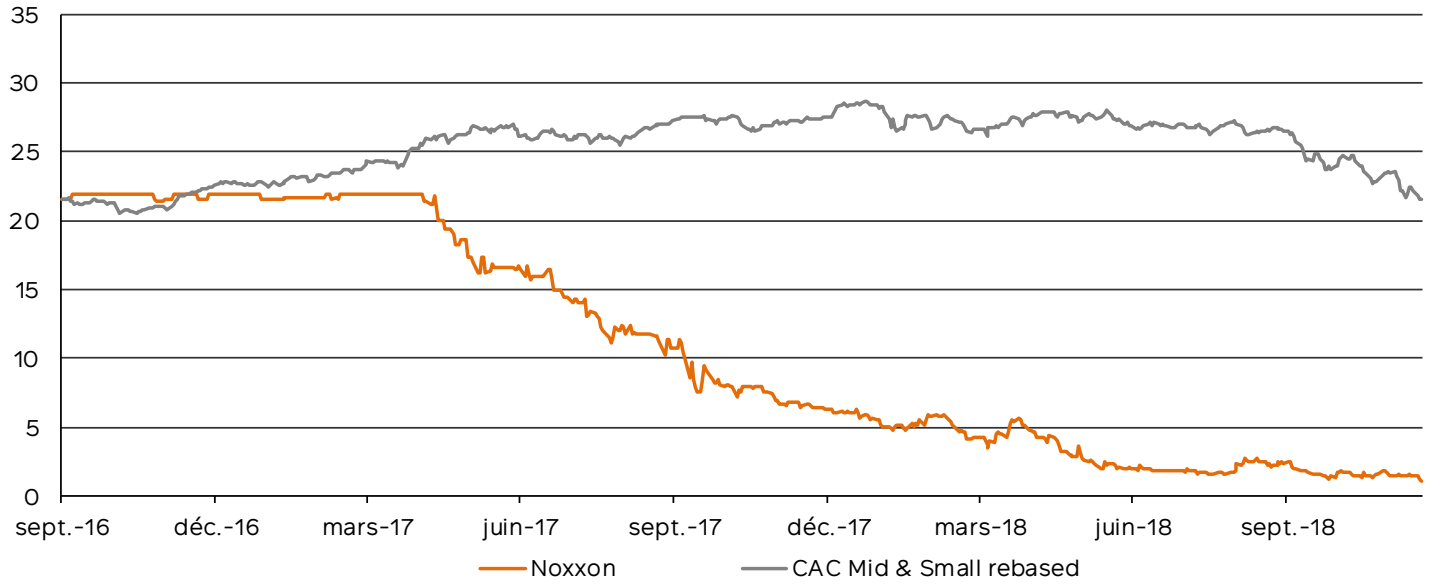
OPPORTUNITIES

- Out-licencing agreement
- Expansion of indications
- Earlier-than-expected market approvals

THREATS

- Clinical and regulatory risks
- Commercial risks
- Legal risks

SHARE PRICE CHANGE FOR 5 YEARS



DETECTION OF CONFLICTS OF INTEREST

	Corporate Finance	Treasury stocks holding	Prior communication to company	Analyst's personal interest	Liquidity contract	Listing Sponsor	Research Contract
Noxxon	No	No	Yes	No	Yes	No	Yes

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