INVEST SECURITIES

BIOTECH

NOXXON

UNDER REVIEW vs BUY

TARGET PRICE : 1,9€ (vs 2,8€) +452%

H1 19 RESULTS

BUSY NEWSFLOW BUT LIMITED FINANCIAL VISIBILITY

Cash totaled €1.9m as of end June. Supplemented by two fundraising rounds (€1.5m in total) in July and August, this should cover the cash burn through Q1 20. An additional injection of €2.5m should be needed to assure the group's financing through October 2020. A busy clinical newsflow is anticipated between now and mid-2020 (results for the first cohort in GBM, report from the partner concerning the third indication), making a financing deal even more indispensable. Following the H1 19 results, we are updating our model and have lowered our target price to €1.9. We have adopted an UNDER-REVIEW rating while waiting from better visibility concerning the group's financial situation.

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A busy newsflow but limited financial visibility

The biotech company NOXXON reported its H1 19 results and the progress of its clinical pipeline on Thursday after the close. As a reminder, on the clinical level, the group is evaluating its principal drug candidate NOX-A12 in two distinct combinations with different scientific rationales: (i) NOX-A12 + anti-PD1, which has recently completed its phase I/II study in pancreatic and colorectal cancer, and (ii) NOX-A12 + radiotherapy, where the phase I/II study in patients suffering from newly diagnosed and non-resectable glioblastoma enrolled its first patient in September. Given the difficulties in signing a development partnership in order to pursue the research evaluating NOX-A12 + anti PD1, NOXXON has indicated that it is expanding the range of potential industrial partners. At this point, we assume in our model the signing of a license agreement in this indication before the end of 2020 in order to finance the continued clinical development here. Concerning the combination in glioblastoma, the objective is to identify partners that would finance the additional clinical studies along with efforts in other indications where radiotherapy is the standard treatment. The group estimates that it will have to obtain at least part of the preliminary clinical data from the phase I/II study before being able to enter into a partnership, corresponding to a mid-2020 timeframe. Finally, NOX-A12 is also being evaluated in another, undisclosed indication by a partner. This could lead to a partnership agreement in Q2 20 once the pre-clinical studies and analysis are completed.

From a financial point of view, the group reported a smaller H1 19 net loss of -€1.9m (vs. -€4m in H1 18) thanks to the absence of financial charges linked to the equity financing from Yorkville that weighed on the net loss in 2018. Cash totaled €1.9m at the end of H1 19. Including the two capital increases totaling €1.5m effectuated in July and August, the group estimates that it has financial visibility through Q1 20 and that an additional injection of €2.5m will be necessary to assure the group's financing through Q3 20. Given the anticipated newsflow made up of (i) results for the first cohort in GBM in Q2 20, (ii) the report from the partner concerning the third indication in Q2 20 and (iii) the potential signing of an agreement covering NOX-A12 + anti-PD1 before the end of 2020, this additional injection is of major importance for the group.

Financing needed to validate the scientific rationale in GBM

In September, NOXXON launched a phase I/II study of NOX-A12 in combination with radiotherapy (RT) in patients suffering from glioblastoma (GBM) showing an

1/6

en € / action	2019e	2020e	2021e
BNA dilué	-0,40	-0,05	-0,19
var. 1 an	*n.s.*	*n.s.*	*n.s.*
Révisions	*n.s.*	*n.s.*	*n.s.*

au 31/12	2019e	2020e	2021e
PE	n.s.	n.s.	n.s.
VE/CA	21,49x	1,16x	23,04x
VE/EBITDA	n.s.	n.s.	n.s.
VE/EBITA	n.s.	n.s.	n.s.
FCF yield*	n.s.	n.s.	n.s.
Rendement	n.s.	n.s.	n.s.

* FCF opérationnel fiscalisé avant BFR rapporté à la VE

Informations clés	
Cours actuel (€)	0,3
Nb d'actions (m)	12,9
Capitalisation (m€)	4
Capi. flottante (m€)	0
ISIN	NL0012044762
Ticker	ALNOX-FR
Secteur DJ	Health Technology

	1m	3m	Dp 31/12
Variation absolue	-27,5%	-40,6%	-66,2%
Variation relative	-27,2%	-38,8%	-70,0%

Source : Factset, estimations Invest Securities

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methyltransferase (MGMT) enzyme. NOX-A12 + RT has already been granted orphan drug status by the FDA and EMA. The first patient has been recruited and treated and intermediate results from this study should be announced in Q2 20, Additional results should be announced by the end of 2020. Despite an interesting scientific rationale and a significant medical need, we are not yet including GBM in our valuation while waiting for the financing needed to complete the phase I/II study.

As a reminder, GBM remains the most frequent primitive brain tumor, with a high relapse rate and a very poor survival prognosis running from three to 20 months. At present, the standard first line treatment for GBM is maximum surgical resection followed by radiotherapy (RT) and temozolomide (TMZ), a chemotherapy drug, followed by maintenance treatment with TMZ alone. However, certain tumors are resistant to TMZ because of MGMT, which repairs the damage caused by TMZ in the cancer cells. Given that the methylation of MGMT interrupts the production of this enzyme, it is highly unlikely that GBM patients with non-methylated MGMT will respond to TMZ. This population therefore has unmet medical needs. The principal limitation of RT involves the attracting of “repair cells” to the tumor site. RT destroys blood vessels within the tumor. Repair and revascularization mechanisms are triggered after RT, leading to recurrence of the disease. The scientific rationale behind NOX-A12 is therefore based on the inhibition of this revascularization in order to limit the risk of recurrence of the cancer.

The design of the phase I/II study of NOX-A12 and RT involves the recruitment of nine newly diagnosed GBM patients with non-methylated MGMT where the tumor was not completely removed through surgery. The principal endpoint of the study is to evaluate the safety and tolerance of this combination. The secondary endpoints will be the vascularization of the tumor as shown by MRI in order to confirm the expected mechanism of action for the inhibition of CXCL12 in the GBM and the progression free survival (PFS) and the overall survival (OS) with anticipated timeframes of six and ten months respectively. The study will be divided into three cohorts (three patients / cohort) and aims to determine a recommended dose for a phase II study of NOX-A12 and RT.

As a reminder, the combination of NOX-A12 and RT has been able to substantially boost the survival of rats with the tumor in preclinical GBM models. Additionally, Stanford University in the United States has demonstrated the importance of the inhibition of CXCL12 / CXCR4 through the use of plerixafor in the reduction of the risk of recurrence of GBM. The results of the phase I/II of plerixafor with RT in newly diagnosed GBM patients have shown that the combined therapy reduced the cerebral blood volume and the relapse rate of the disease. These figures suggest a distinct clinical activity of the combination of a CXCR4 antagonist with RT in GBM that could overcome the resistance to RT in this type of tumor. In this context and with a broader mechanism of action and a better pharmacokinetics, we think that NOX-A12 could potentially bring a significant clinical benefit in combination with RT in patients suffering from GBM. Additionally, due to a high rate of clinical failures, the standard treatment has not changed significantly since 2005. In 2017, bevacizumab (Avastin from Roche), an anti-VEGF antibody, was approved as a second line treatment for GBM in combination with lomustine, a chemotherapy drug. That said, the bevacizumab (Avastin) + lomustine combination vs. lomustine alone only lifted the PFS (4.2 months vs. 1.5 months) without affecting the overall survival. These results should probably heighten the interest of regulatory authorities in new treatments for GBM with limited expectations in terms of effectiveness.

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Target price lowered to €1.9, UNDER-REVIEW rating while waiting for financing

Following the announcement of the H1 19 results, we have adjusted our valuation to reflect different points. Given the group's decision to expand the range of potential partners (suggesting difficulties in reaching a license agreement with a big pharma), we have lowered the assumed upfront (€5m vs. €10m previously) and milestone payments linked to the signing of a license agreement for NOX-A12 + anti-PD1 before the end of 2020. We have integrated the July and August capital increases for a total of €1.5m through the issue of 2.76 million new shares (vs. the previously assumed capital increase of €500k, 801,000 new shares). Additionally, we have included in our model a new financing round totaling €2.5m in the form of a capital increase between now and February 2020 at a 15% discount to the previous close, leading to the issue of 8.5 million additional shares. Finally, we have raised our beta to 3x (vs. 2.5x previously) in order to reflect the uncertainties regarding the cash position, thereby boosting our WACC to 19.5% (vs. 16% previously). Our target price has consequently been lowered to €1.9 (vs. €2.8 previously). This target price only reflects NOX-A12 in pancreatic and colorectal cancer. We are waiting for the initial results for NOX-A12 + RT in GBM before potentially factoring in this indication. Given the pressing financial needs in order to assure the continued clinical development and while waiting for a financing deal, we have adopted an UNDER-REVIEW rating (vs. BUY).

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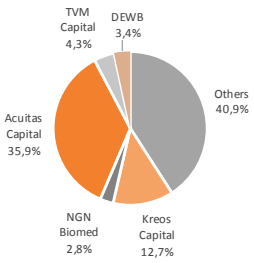
INVESTMENT CASE

Following two fundraising rounds (for a total of €1.5m) in July and August, the cash position as of end June equaled €1.9m, offering visibility through February 2020. An additional injection of €2.5m should be needed to assure the group's financing through mid-2020. A busy clinical newsflow is anticipated between now and mid-2020 (results for the first cohort in GBM, report from the partner concerning the third indication), making a financing deal even more important. Given the limited visibility and while waiting for additional and indispensable financing, we have adopted an UNDER-REVIEW rating (vs. BUY).

FINANCIAL DATA

Shareholders



Share information	2015	2016	2017	2018	2019e	2020e	2021e	2022e
Published EPS (€)	-14,77	-6,71	-2,54	-2,70	-0,40	-0,05	-0,19	0,08
Adjusted EPS (€)	**-14,77**	**-6,71**	**-2,54**	**-2,70**	**-0,40**	**-0,05**	**-0,19**	**0,08**
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.	n.s.	n.s.	4,2x
EV/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
VE/EBITDA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	2,5x
VE/EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	2,5x
Op. FCF bef. WCR yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	39,3%
Op. FCF yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	39,3%
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*	*0,3*	*0,3*	*0,3*	*0,3*	*0,3*
Market cap.	*n.s.*	45	36	4	4	4	4	4
Net Debt	*4,6*	*0,6*	*1,9*	*0,5*	*3,7*	*1,8*	*4,3*	*1,5*
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**	**5**	**8**	**6**	**9**	**6**

Income statement (€m)	2015	2016	2017	2018	2019e	2020e	2021e	2022e
Sales	0	1	0	0	0	5	0	5
chg.	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*
EBITDA	-15	-8	-5	-4	-5	0	-5	2
EBITA	**-15**	**-9**	**-5**	**-4**	**-5**	**0**	**-5**	**2**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***
EBIT	-15	-9	-5	-4	-5	0	-5	2
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	-1	-5	2
Adjusted net att. profit	**-16**	**-11**	**-5**	**-11**	**-5**	**-1**	**-5**	**2**
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	0	-5	2
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**	**-1**	**-5**	**2**
Change in WCR	-1	1	0	0	0	0	0	0
Operating FCF	**-15**	**-7**	**-5**	**-4**	**-5**	**-1**	**-5**	**2**
Acquisitions/disposals	0	0	0	0	0	0	0	0
Capital increase/decrease	16	7	3	8	2	3	3	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**	**-4**	**2**	**-3**	**2**

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	-6	-4	-6	-4
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**	**4**	**2**	**4**	**2**

Financial ratios	2015	2016	2017	2018	2019e	2020e	2021e	2022e
EBITDA margin	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	43,6%
EBITA margin	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	43,6%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	43,6%
ROCE	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	-108,6%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	-64,2%
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.	n.s.	n.s.	0,7x

Source : company, Invest Securities Estimates

Next event
Q2 20 : 1st cohort GBM

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SWOT ANALYSIS

STRENGTHS

- Unique mechanism of action
- Mid-stage clinical programs

WEAKNESSES

- Competitive market
- Potential dilution

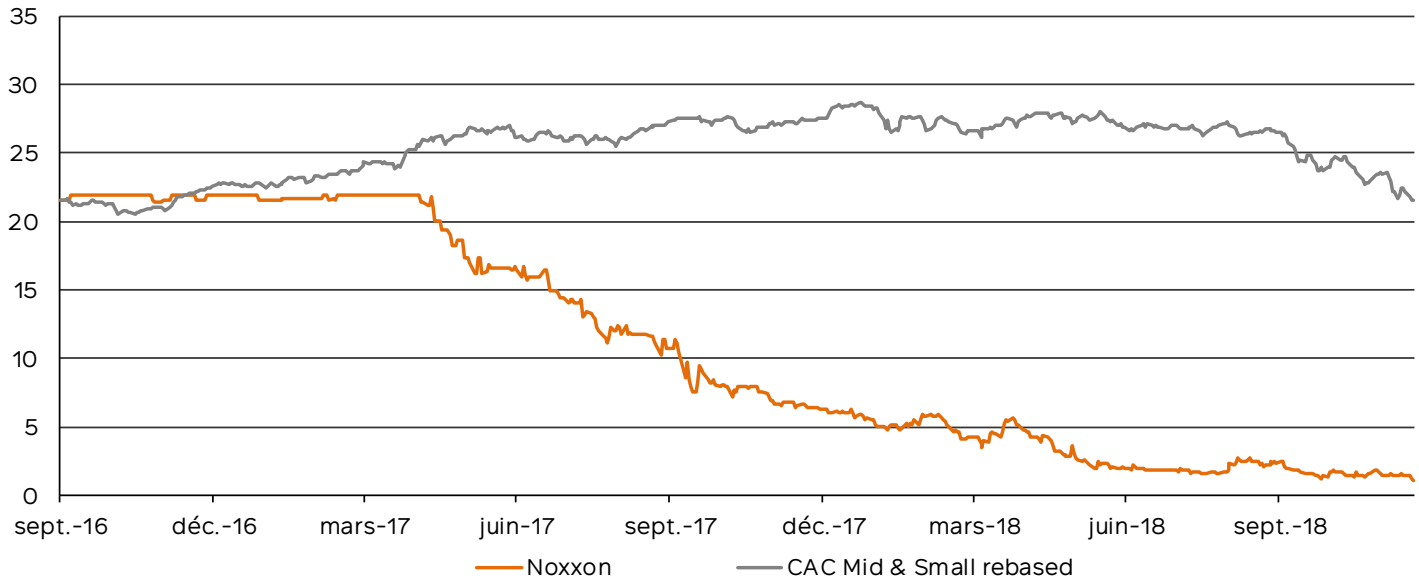
OPPORTUNITIES

- 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	Oui	Non	Non	Non	Oui	Non	Oui

DISCLAIMER

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