INVEST SECURITIES

BIOTECH

NOXXON

BUY vs UNDER REVIEW

TARGET PRICE : 1,3€ (vs 1,9€) +242%

UPDATE

ENCOURAGING PHASE 1/2 BRAIN CANCER TRIAL RESULTS

Early in June, NOXXON reported positive results for the second of the three cohorts included in its Phase 1/2 glioblastoma (brain cancer) trial. With two doses having been validated with no side effects calling into question the safety or tolerability profile of NOX-A12, and recruitment complete for the third and final cohort of the dose-escalation portion of the study, we estimate that the clinical trial is on track to meet its primary endpoint. Final results are anticipated in November 2021, which should allow the company to stick to its plan to conduct a pivotal trial early in 2022 and report first results late in 2024. We have adjusted our TP to €1.3 from €1.9 and raised our rating from Under Review to BUY.

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Phase 1/2 glioblastoma trial results expected in Q4 21, likely to be very promising

Noxxon is conducting a Phase 1/2 trial in brain cancer, a disease known to have a poor prognosis and for which no real therapeutic solutions exist as of today. This dose-escalation study involves three doses with interim data validated by the Data Safety Monitoring Board (DSMB), an independent committee that evaluates safety as well as efficacy data for each dose. The DSMB has already validated the first two doses, and the highest dose has been administered to the third and final cohort. Given the results obtained with the first two cohorts, we expect the results for the third to be positive, and are very upbeat about the outcome of the study in general.

Financial situation secure through Q3 2022

Noxxon ended 2020 with a cash position of €10.3m, up from €1.4m in 2019, after raising €14.5m during the year. In 2021, it raised an additional €6.4m through a private placement of new shares with no warrants or other option-type instruments attached. More recently, it raised another €1.2m via the exercise of warrants by Kreos and longstanding shareholders, and issued €2.3m worth of convertible bonds under its contract with ASO (Atlas Special Opportunities). With an estimated cash burn of €1.5m a month, we estimate that visibility on NOXXON's finances is good through January 2022, or through July 2022 if we include the resources available through the ASO financing agreement.

Tumor microenvironment (TME): Target of choice for combination cancer therapies

The TME is the main physical barrier that limits the ability of both the immune system and anti-cancer therapies to fight cancer. It constitutes a non-permissive direct environment around the tumor, preventing the immune system's effector cells from destroying the tumor cells and keeping cancer treatments from reaching the tumor site and/or interfering with their efficacy when immunotherapies are used, due to the immune system inhibition put into place by the cancer.

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in € / share	2021e	2022e	2023e
Adjusted EPS	-0,15	0,03	0,25
chg.	*n.s.*	*n.s.*	*n.s.*
estimates chg.	*+0,0%*	*+0,0%*	*+0,0%*

au 31/12	2021e	2022e	2023e
PE	n.s.	13,0x	1,5x
EV/Sales	94,5x	1,3x	-0,2x
EV/Adjusted EBITD	n.s.	1,7x	-0,2x
EV/Adjusted EBITA	n.s.	1,7x	-0,2x
FCF yield*	n.s.	59,0%	n.s.
Div. yield (%)	n.s.	n.s.	n.s.

* After tax op. FCF before WCR

key points	
Closing share price 30/06/2021	0,38
Number of Shares (m)	67,9
Market cap. (€m)	26
Free float (€m)	23
ISIN	NL0012044762
Ticker	ALNOX-FR
DJ Sector	Health Technology

	1m	3m	Ytd
Absolute perf.	-10,5%	-14,8%	-32,3%
Relative perf.	-10,6%	-17,9%	-39,8%

Source : Factset, Invest Securities estimates

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FINANCIAL DATA

Share information	2016	2017	2018	2019	2020	2021e	2022e	2023e
Published EPS (€)	-6,71	-2,54	-2,70	-0,08	-0,32	-0,15	0,03	0,25
Adjusted EPS (€)	**-6,71**	**-2,54**	**-2,70**	**-0,08**	**-0,32**	**-0,15**	**0,03**	**0,25**
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	2016	2017	2018	2019	2020	2021e	2022e	2023e
P/E	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	13,0x	1,5x
EV/Sales	87,92x	144,40x	69,58x	93,31x	109,65x	94,54x	1,29x	-0,18x
EV/Adjusted EBITDA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	1,7x	-0,2x
EV/Adjusted EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	1,7x	-0,2x
Op. FCF bef. WCR yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	59,0%	-425,0%
Op. FCF yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	59,0%	-425,0%
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)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Share price in €	*22,0*	*15,6*	*0,38*	*0,38*	*0,38*	*0,38*	*0,38*	*0,38*
Market cap.	45	36	26	26	26	26	26	26
Net Debt	*0,6*	*1,9*	*0,5*	*0,2*	*-9,7*	*-11,9*	*-14,0*	*-31,0*
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)	**46**	**38**	**26**	**26**	**16**	**14**	**12**	**-5**

Income statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales	1	0	0	0	0	0	9	28
chg.	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*
Adjusted EBITDA	-8	-5	-4	-4	-6	-5	7	26
adjusted EBITA	**-9**	**-5**	**-4**	**-4**	**-6**	**-5**	**7**	**26**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***
EBIT	-9	-5	-4	-4	-6	-5	7	26
Financial result	-2	-1	-6	3	-5	-5	-5	-5
Corp. tax	0	0	0	0	0	0	0	-4
Minorities+affiliates	0	0	0	0	0	0	0	0
Net attributable profit	-11	-5	-11	-1	-10	-10	2	17
Adjusted net att. profit	**-11**	**-5**	**-11**	**-1**	**-10**	**-10**	**2**	**17**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***+766,0%***

Cash flow statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA	-8	-5	-4	-4	-6	-5	7	26
Theoretical Tax / EBITA	0	0	0	0	0	0	0	-4
Capex	0	0	0	0	0	0	0	0
Operating FCF bef. WCR	**-8**	**-5**	**-4**	**-4**	**-6**	**-5**	**7**	**22**
Change in WCR	1	0	0	0	0	0	0	0
Operating FCF	**-7**	**-5**	**-4**	**-3**	**-6**	**-5**	**7**	**22**
Acquisitions/disposals	0	0	0	0	0	0	0	0
Capital increase/decrease	7	3	8	1	14	12	0	0
Dividends paid	0	0	0	0	0	0	0	0
Other adjustments	-2	-1	-6	3	-5	-5	-5	-5
Published Cash-Flow	**-2**	**-3**	**-3**	**1**	**3**	**2**	**2**	**17**

Balance Sheet (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Assets	0	0	0	0	0	0	0	0
Intangible assets/GW	0	0	0	0	0	0	0	0
WCR	-2	-2	-2	-2	-2	-2	-2	-2
Group equity capital	-2	-4	-3	-2	8	0	3	20
Minority shareholders	0	0	0	0	0	0	0	0
Provisions	0	0	0	0	0	0	0	0
Net financial debt	**1**	**2**	**0**	**0**	**-10**	**-12**	**-14**	**-31**

Financial ratios	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA margin	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	76,4%	91,5%
EBITA margin	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	76,4%	91,5%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	21,2%	59,6%
ROCE	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	-335,8%	-1215,9%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	75,8%	86,1%
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.	-2,0x	-1,2x

Source : company, Invest Securities Estimates

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INVESTMENT CASE

NOXXON is a biotech company with an oncology-focused portfolio. The two products it has developed to date—NOX-A12 (glioblastoma, as well as metastatic pancreatic and colorectal cancer) and NOX-E36 (solid cancers)—are designed to break the tumor protection barrier and block tumor repair by neutralizing chemokines in the tumor microenvironment (TME). Its clinical approach is unique and can be used in combination with other therapeutic approaches, notably radiotherapy and immunotherapy, to weaken tumor defenses against the immune system and enable greater therapeutic impact.

SWOT ANALYSIS

STRENGTHS

- An innovative approach within the IO space
- Partnership with Merck for brain cancer
- Drugs that target indications with little competition

WEAKNESSES

- Relatively early-stage pipeline
- Need for additional financing within a year

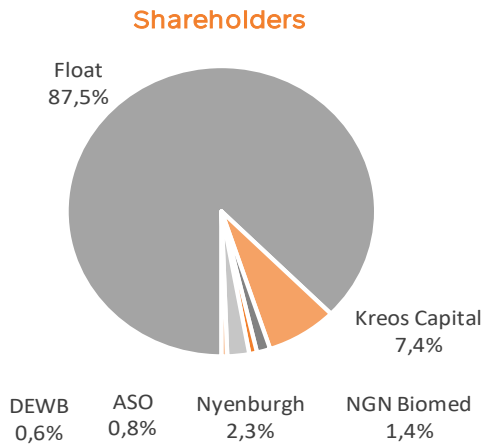
OPPORTUNITIES

- Combination drug trials
- Possibility of new partnerships
- Significant M&A activity in the field

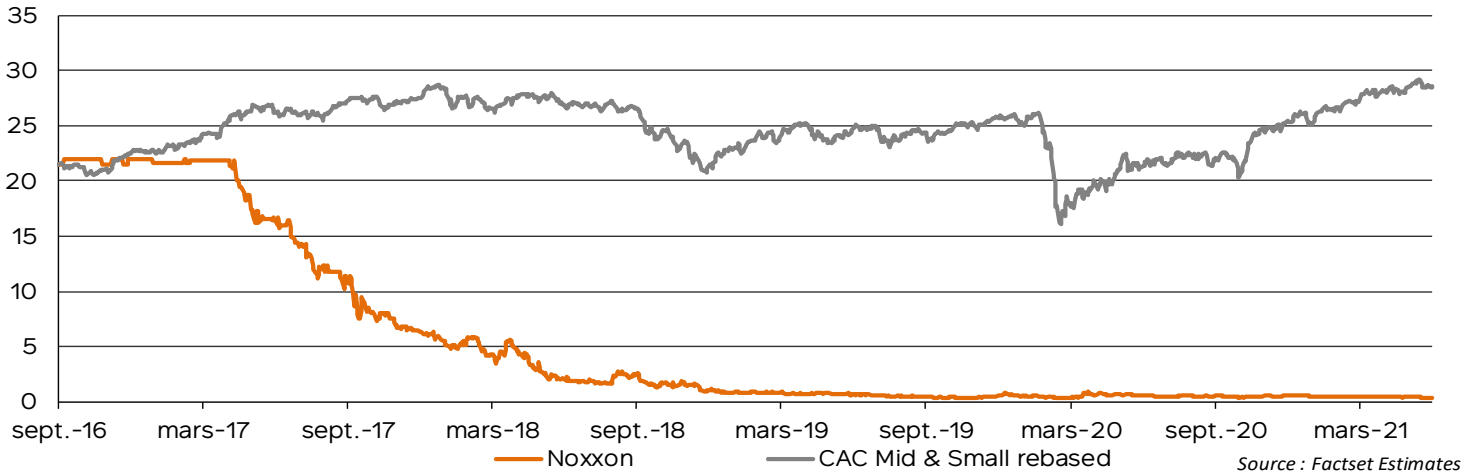
THREATS

- Regulatory and clinical risks
- Legal risks
- Commercial risks

ADDITIONAL INFORMATION



SHARE PRICE CHANGE FOR 5 YEARS



Source : Factset Estimates

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SUMMARY

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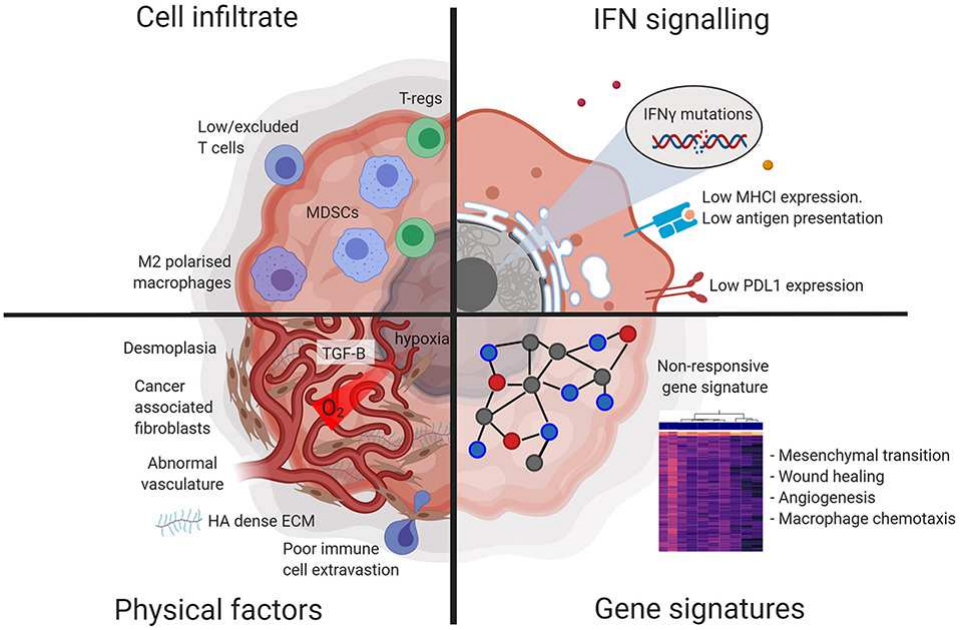
1- Target the TME to optimize standard-of-care treatment

1.1 Noxxon's strategy: Modulate the TME to make it permissive to SoC treatments

1.1.1 The tumor microenvironment: A target worth focusing on

Two factors influence the formation and progression of tumors: genetic/epigenetic changes in tumor cells and the rearranging of components in the tumor microenvironment (TME). A TME is made up of various tissue components including tumor cells, endothelial cells and immune cells, such as microglia, macrophages and lymphocytes, as well as the non-cellular components of the extracellular matrix. The tumor cells are the heart of the TME and control the function of cellular and non-cellular components via complex signaling networks, in the aim of getting healthy cells to work to their benefit. As a result of these disruptions, tumors form and are maintained, and response to cancer treatments is deficient, notably because of multi-drug resistance, or MDR. Non-malignant cells in the TME are known to participate in and favor tumorigenesis in all phases of development of cancer and metastases. Hence the interest in therapeutic strategies that target the TME to make it permissive to treatments and stop pro-cancer signaling induced by the tumor.

Diagram of factors characteristic of a non-reactive tumor microenvironment



Source: Rachael M. Zemek et al. Front. Immunol., 18 February 2020

1.1.2 Real interest in finding ways to improve standard-of-care treatment

TME modulation has been explored for many years as a key immuno-oncology strategy. Several studies conducted by multiple research teams have demonstrated the benefits of targeting the cells that make up the TME to block the interactions and signaling that favor cancer development.

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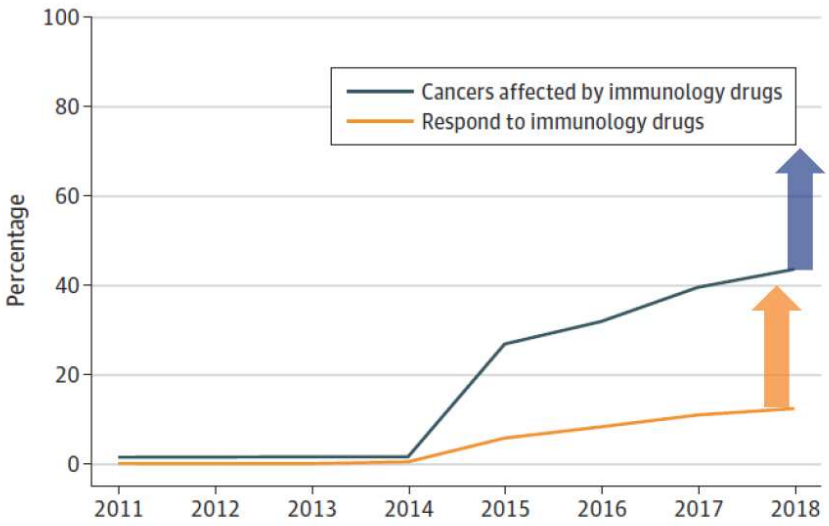
1- Target the TME to optimize standard-of-care treatment

Tumor evasion, or the cancer's ability to avoid being attacked by the IS, is a complex strategy the cancer develops in order to survive. It uses different mechanisms to "neutralize" the IS:

- Recruit the immune cells present at the site that are blocking the IS response
- Direct blood flow away from the environment and modify its structure to favor the inflow of the nutrients the cancer needs to develop and survive while filtering those that would be harmful to it (medicines, immune effector cells, etc.)
- Inhibit DNA repair and the apoptosis (cell death) that would normally occur
- Make itself invisible by expressing few or no tumor antigens.

Despite known associations between the characteristics of the TME before treatment and treatment response, therapeutic strategies designed to induce a nonresistant phenotype and thus make the cancer sensitive to treatment are just now becoming available. System immunity and local immune response at the tumor site are interrelated, and several preclinical and clinical studies have shown that a degree of system immunity is necessary for tumors to respond optimally to treatment, especially immuno-oncology therapies that involve the IS.
In theory, targeting the MTE will promote local immune response and thus a better infiltration of system immunity to attack the cancer efficaciously.
In simpler terms, creating breaches in the TME removes a physical and immunological barrier, allowing immune effector cells to enter the direct environment of the tumor and activate their cancer-fighting potential.

Therapies targeting the TME improve immune response and optimize treatment



Source: Adapted from Chen & Mellman 2013, Immunity 39:1

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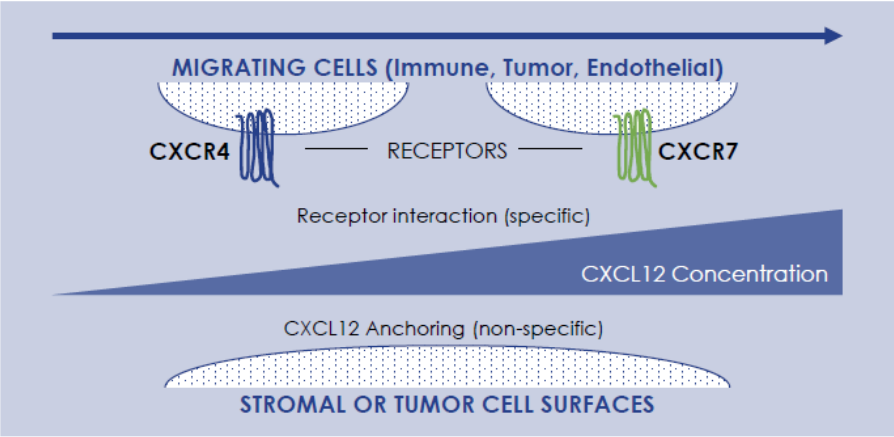
1- Target the TME to optimize standard-of-care treatment

1.2 Noxxon's approach: Target the CXCL12/CXCR4/CXCR7 axis

NOX-A12 targets CXCL12 (C-X-C Chemokine Ligand 12), a key protein in the chemokine family, proteins that are involved in signaling between cells. Chemokines direct the movement of cells. In cancer, CXCL12 acts as a communication bridge between tumor cells and their environment, promoting tumor proliferation, new blood vessel formation and metastasis, while also inhibiting tumor apoptosis (cell death).

It has been established that chemokines like CXCL12 create a permissive microenvironment that encourages tumor growth and the development of metastases. They are in fact an important signaling mechanism allowing cancer cells to avoid detection by the immune system and the effects of cancer treatments. NOXXON's drug candidates – NOX-A12 and NOX-E36 – are unique in their ability to bind to two key sites in chemokine proteins. The mechanism of action of NOX-A12 involves disrupting the activity of the chemokines by binding to the proteins via two key sites and targeting them for destruction.

Mechanism of action of NOX-A12



Source: Noxxon

NOX-A12 is designed to fight solid tumors by modulating the TME in two distinct ways:

- Break tumor protection enabling anti-cancer immune cells, such as killer T-cells, to enter the tumor with the aim of unleashing the full potential of immuno-oncology approaches, such as immune checkpoint inhibitors.
- Block tumor repair by preventing the attraction of 'repair cells' to the tumors obstructing tumor re-growth following radiotherapy.

NOX-E36 (emapticap pegol) binds and neutralizes the human chemokine CCL2 and some highly related chemokines. CCL2 and its receptor CCR2 are implicated in several inflammatory diseases as well as cancer spread. One key function of CCL2 is the recruitment of immunosuppressive cell populations of the innate immune system such as Tumor Associated Macrophages (TAMs). Removing TAMs from the tumor microenvironment with NOX-E36 should allow an improved immune response against tumors.

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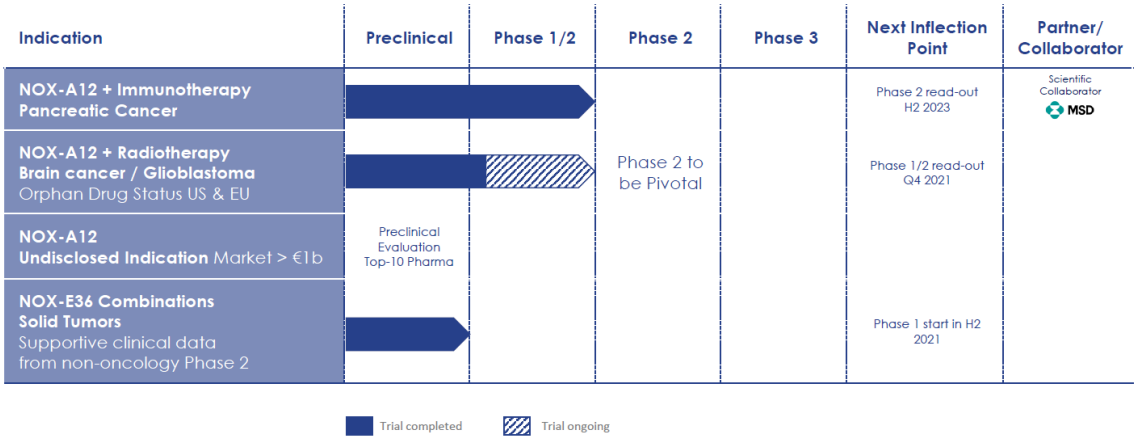
2- Pipeline poised to expand in the near term

2.1 A pipeline focused on two targets: Aggressive cancers and combination therapies

Because the TME appears to play a key role in how effective anti-cancer therapies are, it is of particular interest when it comes to fighting the disease, especially cancers with unmet needs. It was with this in mind that NOXXON developed its strategy focused on two targets:

- Aggressive cancers for which no efficacious therapies exist
- Combination therapies that can optimize the potential of standard-of-care treatments

Noxxon pipeline and clinical schedule



Source: Noxxon

Noxxon currently has two drugs in the pipeline, one of which, NOX-A12, is being evaluated through two separate clinical programs:

- Pancreatic and colorectal cancer – Phase 2 underway for 2nd line treatment of pancreatic cancer
- Brain cancer = multiform glioblastoma – Phase 1/2 underway for 1st line treatment

In addition to these two programs, NOXXON will launch a new program with NOX-A12 in the near future, selecting a new indication among the fastest-growing in the pharmaceutical industry. The drug's safety and tolerability profile are fairly well established since, in addition to the clinical studies underway, two Phase 2a trials have been completed in chronic lymphocytic leukemia and multiple myeloma. NOXXON's strategy is to evaluate NOX-A12 as a combination treatment for several types of cancer for which its impact on the TME could substantially improve the efficacy of anti-cancer treatments without causing significant side effects.

Clinical trials are expected to begin within the coming months on NOXXON's second drug, NOX-E36, with a Phase 1 trial scheduled for launch in H2 2021. NOX-E36 had completed several exploratory clinical studies, establishing its activity on the biological targets as well as its safety profile. Subsequent studies are focusing exclusively on oncology, an area in which preclinical data have demonstrated activity in models of solid tumors such as pancreatic and liver cancer. Based on its mechanism of action, NOX-E36 has the potential to target several chemokines in the TME that are implicated in allowing tumors to evade the IS. Its clinical use in combination with SoC treatment will in theory stimulate immune response by making the TME more permissive to treatments and immune effector cells, which should in turn produce an effective immune response against cancer.

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2- Pipeline poised to expand in the near term

2.2 Phase 1 pancreatic cancer trial: NOX-A12 in combination with immunotherapy

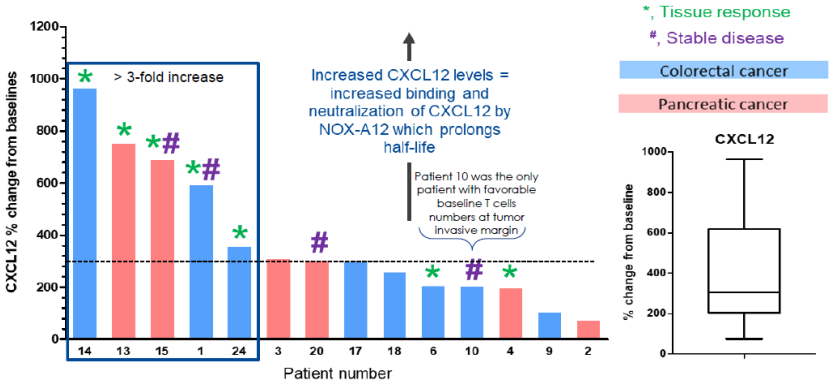
2.2.1 Results to date

NOX-A12 has completed a Phase 1 study in pancreatic cancer and colorectal cancer (CRC) in patients with advanced disease having undergone several lines of treatment. Results from this first study were very promising, particularly in terms of long-term survival and overall survival (OS) given that patients had been given multiple lines of treatments prior. Indeed, in was the fourth line of treatment on average for pancreatic cancer patients in the study, and the sixth on average for CRC patients.

During this Phase 1 study, a correlation was observed between increased neutralization of CXCL12 by NOX-A12 and immune response and clinical benefit:

- 36% saw a more than 300% increase in CXCL12 expression at baseline, and all of these showed tissue response,
- 50% showed tissue response,
- Nearly 29% saw disease stabilization. Among the five patients whose cancer stabilized, three survived for more than a year in medical situations where life expectancy is typically about five months.

Phase 1 results in pancreatic cancer and CRC

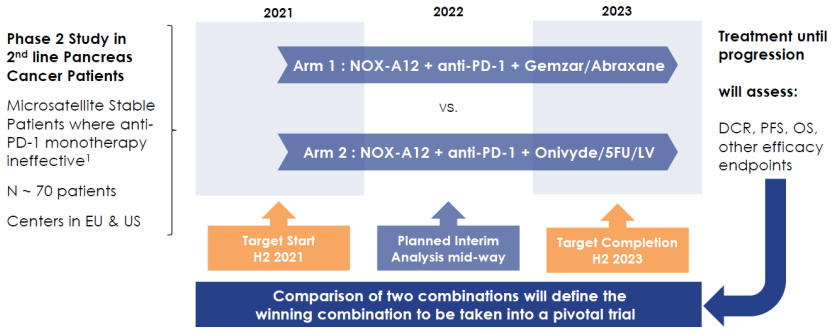


Source: Noxxon

2.2.2 Next clinical steps

After successfully completing the Phase I trial, NOXXON launched a Phase 2 study to evaluate the benefits of combining NOX-A12 with an anti-PD-1, Keytruda (Merck). Two arms will evaluate different combinations of chemotherapies in some 70 patients in Europe and the US. The first patient should be recruited in H2 2021 and the initial readout is anticipated toward the end of 2023.

Clinical development plan for 2nd line treatment of metastatic pancreatic cancer



Source: Noxxon

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2- Pipeline poised to expand in the near term

2.3 Phase 1/2 glioblastoma trial: NOX-A12 combined with radiotherapy

2.3.1 Study design and stages of completion

The second program NOXXON has underway with its main drug candidate NOX-A12 is a Phase 1/2 trial in multiform glioblastoma (GBM). It involves giving three NOX-A12 doses (200, 400 and 600 mg/week) in combination with external-beam radiotherapy to patients with newly diagnosed brain cancer. The six patients in the first two cohorts (three receiving 200 mg/week and three 400 mg/week) have now completed treatment with NOX-A12.

In October of 2020, NOXXON announced that, in an effort to accelerate its program, it had added new clinical sites to ensure that it could quickly complete the study despite a health situation that threated to slow recruitment. In addition to the hospitals in Mannheim, Essen and Bonn that had been recruiting patients since mid-2019, NOXXON began working with three German hospitals in Leipzig, Münster and Tübingen. As dose escalation was complete for the first two doses, the six clinical centers began recruiting patients for the cohort that would receive the highest dose. In sum, even as the health crisis continued, NOXXON succeeded in more or less sticking to its schedule. It indicated mid-April that it had recruited all the patients who would participate in the Phase 1/2 study. The DSMB's assessment of interim safety and efficacy data was positive for the first two cohorts: that body issued positive recommendations on November 9, 2020 for the lowest dose and on May 11 for the intermediate dose. The three patients in the final, highest dose cohort have begun their treatment.

Progress with Phase 1/2 GBM study

Cohort	Dose mg/week	Recruitment Status	Treatment status	Treatment results
1	200	All patients recruited (n=3)	Last patient completed treatment	- Safety as expected[2] - Tumor size reductions seen in all patients (2-62% maximal reduction)[3] - One durable objective response
2	400	All patients recruited (n=3)	Last patient completed treatment	- Safety as expected[2] - Tumor size reductions seen in 2 patients (28-71% maximal reduction)[3] - One objective response, post NOX-A12
3	600	All patients recruited (n=3)	Treatment ongoing	Nov 2021[4]

Source: Noxxon

2.3.2 Results to date

On June 1 2021, NOXXON provided an update on the GBM study underway, as it had promised to do in Q2 2021, reporting positive results for the second cohort of the Phase 1/2 study. The data showed that a dose of 400 mg/week of NOX-A12 remained safe and well tolerated, with apparent signals of tumor size reduction.

More than 83% of patients showed reduction in tumor size during or after treatment, with maximum reductions from baseline ranging from 2% to 62% in patients treated at 200 mg/week (1st cohort) and from 28% to 71% for two treated at 400 mg/week (2nd cohort). These initial results appear to confirm the dose effect observed in pancreatic cancer, supporting NOXXON's hypothesis about the mechanism of action of NOX-A12: correlation between clinical benefit and level of expression of CXCL12.
Among all patients in the study, it should be noted that two (one in each of the first two cohorts) had objective responses with tumor reductions of more than 50%, one of which occurred after treatment with NOX-A12 ended. The smaller satellite tumors that were present around the primary tumor prior to treatment completely disappeared in three of the six patients.

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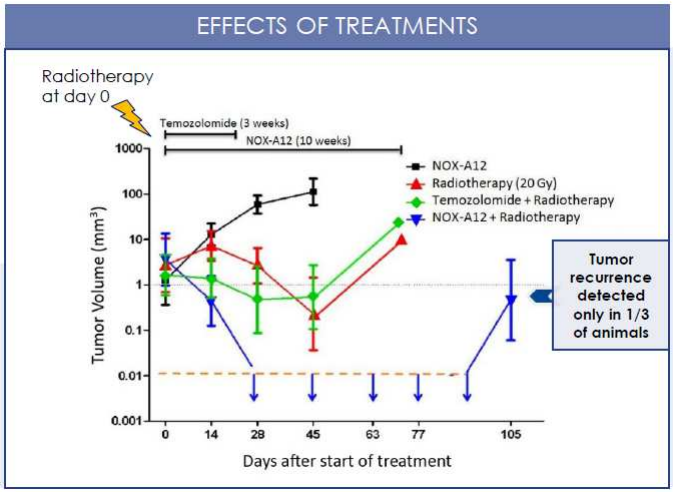
2- Pipeline poised to expand in the near term

Lastly, two of the three patients in the 200 mg cohort survived longer than the average 10 months. A more in-depth analysis of survival rates in each cohort should be conducted soon. Headline results are expected in November for the third and final cohort.

Preclinical results (rat) for brain cancer



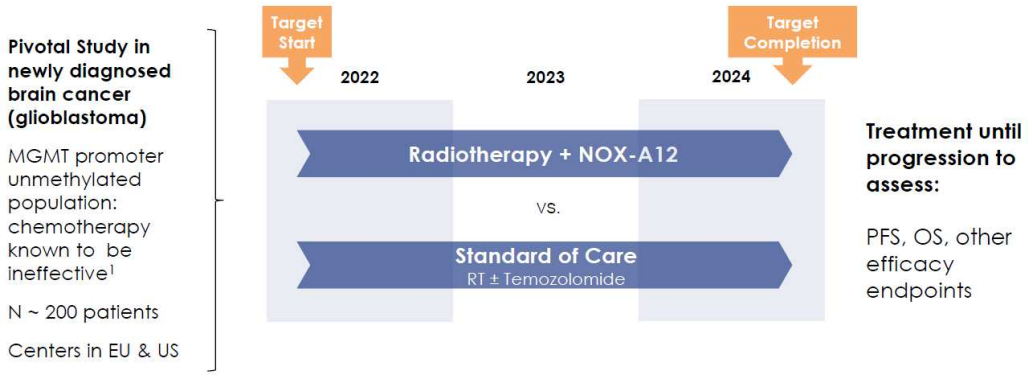
Source: Noxxon

2.3.3 Next clinical steps

Because glioblastoma is a very aggressive cancer with survival rates of less than 20% at two years and under 4% at five years, NOX-A12 has received orphan drug designation for that indication both in Europe and the US. And since unmet needs are great for this disease, NOXXON has agreed with regulatory agencies to accelerate its clinical program and work to get this potential drug to market faster.

If the results of the Phase 1/2 trial underway are positive, then NOXXON will launch a Phase 2 pivotal trial with about 200 patients in the US and Europe to validate the therapeutic potential of the NOX-A12/RT combo vs. the SoC (RT/temozolomide). This trial would launch in H1 2022 with the first readout late in 2024.

Clinical development plan for 1st line treatment of GBM



Source: Noxxon

Following the publication late in May of positive results for the second cohort (three patients receiving the intermediate dose of 400 mg/week) of the Phase 1/2 study currently underway for treating GBM with NOX-A12, NOXXON says it has received two batches of NOX-A12 drug substance and made additional manufacturing commitments.

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3- Financial situation

3.1 Current cash position of more than €11m by our estimates

NOXXON ended 2020 with €10.3m of cash, up from €1.4m in 2019, after raising €14.5m during the year. In 2021, the company raised an additional €6.4m through a private placement. More recently, it raised €1.2m via the conversion of warrants by Kreos and longstanding shareholders. It also issued €2.3m of convertible bonds under its contract with ASO (Atlas Special Opportunities). With an estimated monthly cash burn of €1.5m, we estimate that visibility on NOXXON's finances is good through January 2022, or through July 2022 if we include the resources available through the ASO financing agreement (nominal capacity of close to €10.5m).
NOXXON currently employs 15 people after hiring several people in recent months. Given that its clinical programs are maturing, we believe the cash burn could accelerate starting in 2022. We estimate that the company currently has between €11m and €12m of cash, knowing that it can extend its runway by an extra six months thanks to the financing agreement with ASO.

3.2 Significant improvement in cash position in H1 2021

After completing a capital restructuring in Q4 2020, NOXXON staged several capital increases in H1 2021 to bolster its cash position and secure funding for preclinical and clinical development. All in all, it raised close to €10m, representing more than six months of cash burn.

In October 2020, NOXXON announced that it had improved the conversion conditions for its CBs by amending its flexible convertible bond agreement with ASO to expand its capacity. The amended contract includes ten additional tranches with a nominal value of €475k each, lifting the total nominal capacity to €18.95m, of which €10.5m has yet to be issued. Issuance of the CBs remains entirely at NOXXON's discretion. The conversion price for the conversion of outstanding CBs to shares is now the five-day volume-weighted average (VWAP) of the company's shares directly preceding the conversion date.
In January of 2021, NOXXON raised €6.4m through a private placement, issuing 14,277,219 new shares to investors at a subscription price of €0.45/share. NOXXON then raised €1.2m in May through the conversion of warrants by Kreos Capital and other longstanding shareholders, resulting in the issuance of 3,768,449 new shares.
In June of this year, NOXXON drew drew down additional financing tranches from its financing agreement with Atlas Special Opportunities (ASO), issuing 2,368 convertible bonds for a consideration of €2.3m.

The capital thus raised will be used to allow NOXXON to speed up production of its products ahead of its next clinical trials:

- (i) manufacturing of NOX-A12 clinical trial supply in anticipation of upcoming clinical trials,
- (ii) manufacturing of NOX-E36 clinical trial supply in anticipation of the planned upcoming clinical trial,
- And (iii) purchase of stocks of starting materials at more cost-effective scale, which will also allow more rapid production of future batches of NOX-A12 or NOX-E36.

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4- Rating change: Buy with a TP of €1.3

4.1 Update of financial data

For this update, we have rolled over our previous estimates but factored in the capital increases completed in H1 2021 as well as the resulting new number of shares. The company now has enough cash to complete its Phase 1 clinical trial in brain cancer. As we see it, sufficient resources are in place for the study in terms of R&D costs, as well as in terms of executive talent, the company having hired several people recently, and from a clinical standpoint, the DSMB having issued positive recommendations for the first two cohorts. It is because of these DSMB recommendations that we have included the program in our valuation model.

4.2 GBM program included in our valuation model

As mentioned above, we consider the clinical study to be off to a strong start with very encouraging initial interim assessments. We have therefore decided to include the program in our valuation model. Indeed, the first two doses of the Phase 1 trial underway have been validated in terms of toxicity and safety and, importantly, initial signals of efficacy are very promising, which in our view bodes well for the final outcome. Moreover, NOX-A12 has already successfully completed a Phase 1 study in another indication, metastatic pancreatic cancer, which is known to be an aggressive cancer with no satisfactory therapeutic solution. This initial toxicity and safety validation in an indication known to be difficult to treat gives us confidence in the outcome of the brain cancer treatment trial underway.

4.3 BUY vs. Under review, TP of €1.3 vs. €1.9 (DCF)

Given all of the above, we have raised our rating from Under Review to BUY, and adjusted our price target to €1.3 from €1.9.
In terms of news flow, NOXXON plans to report the results of the last cohort in the brain cancer study in Q4 of this year, which suggests that the Phase 2 will be launched in 2022.

Catalysts and news flow:
- Q4 21: Results of Phase 1/2 study in glioblastoma - NOX-A12
- H2 21: Recruitment of first patient for Phase 2 study in metastatic pancreatic cancer
- H2 21: Launch of Phase 1 with NOX-E36 in combination to treat solid tumors
- H1 22: Launch of pivotal study in newly diagnosed brain cancer
- H2 23: Results of Phase 2 in metastatic pancreatic cancer - NOX-A12
- 2024: Results of pivotal study in brain cancer– NOX-A12

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TARGET PRICE AND RECOMMENDATION

Our analyst ratings are dependent on the expected absolute performance of the stock on a 6- to 12-month horizon. They are based on the company’s risk profile and the target price set by the analyst, which takes into account exogenous factors related to the market environment that may vary considerably. The Invest Securities analysis office sets target prices based on a multi-criteria fundamental analysis, including, but not limited to, discounted cash flows, comparisons based on peer companies or transaction multiples, sum-of-the-parts value, restated net asset value, discounted dividends.

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- BUY: Upside potential of more than 10% (the minimum upside required may be revised upward depending on the company’s risk profile)
- NEUTRAL: Between -10% downside and +10% upside potential (the maximum required may be revised upward depending on the company’s risk profile)
- SELL: Downside potential of more than 10%
- TENDER or DO NOT TENDER: Recommendations used when a public offer has been made for the issuer (takeover bid, public exchange offer, squeeze-out, etc.)
- SUBSCRIBE or DO NOT SUBSCRIBE: Recommendations used when a company is raising capital
- UNDER REVIEW: Temporary recommendation used when an exceptional event that has a substantial impact on the company’s results or our target price makes it impossible to assign a BUY, NEUTRAL or SELL rating to a stock

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12-MONTH HISTORY OF OPINION

The table below reflects the history of recommendation and price target changes made by Invest Securities' research department over the last 12 months.

Company Name	Main Author	Release Date	Rating	Target Price	Potential

DETECTION OF CONFLICTS OF INTEREST

	NOXXON
Invest Securities was lead manager or co-lead manager in a public offer concerning the financial instruments of this issuer during the last twelve months.	No
Invest Securities has signed a liquidity contract with the issuer.	No
Invest Securities and the issuer have signed a research service agreement.	No
Invest Securities and the issuer have signed a Listing Sponsor agreement.	No
Invest Securities has been remunerated by this issuer in exchange for the provision of other investment services during the last twelve months (RTO, Execution on behalf of third parties, advice, placement, underwriting).	No
This document was sent to the issuer prior to its publication. This rereading did not lead the analyst to modify the valuation.	No
This document was sent to the issuer for review prior to its publication. This rereading led the analyst to modify the valuation.	No
The financial analyst has an interest in the capital of the issuer.	No
The financial analyst acquired equity securities of the issuer prior to the public offering transaction.	No
The financial analyst receives remuneration directly linked to the transaction or to an investment service provided by Invest Securities.	No
An executive officer of Invest Securities is in a conflict of interest with the issuer and was given access to this document prior to its completion.	No
Invest Securities or the All Invest group owns or controls 5% or more of the share capital issued by the issuer.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net long position of more than 0.5% of the issuer's capital.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net short position of more than 0.5% of the issuer's capital.	No
The issuer owns or controls 5% or more of the capital of Invest Securities or the All Invest group.	No

Invest Securities' conflict of interest policy is available on the Invest Securities website in the Regulation section. A list of all recommendations issued over 12 months as well as the quarterly publication of the share of "BUY, SELL, NEUTRAL, OTHER" over 12 months is available on the Invest Securities research site.

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