

Analyst Report

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Aurgalys is contracted by Quantum Genomics to provide equity research

Aurgalys

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Quantum Genomics

ALTERNEXT: ALQGC [FR0011648971]

February 25th, 2015

Share Price: €7.41

(as of February 25th, 2015)

Estimated price:

€8.59

High/Low since 01.01.15 (€)	11.30/5.37
Market Cap.* (€M)	50.8
Estimated Net Cash (€M)	12.7
Estimated EV. (€M)	46.8
Estimated Market Cap. (€M)	58.9
Number of Shares* (M)	6.9
Estimated price (€)	8.72
Volume 3 months average	67,400
Free Float	40.0%
Dividend Forecast 12 months (€)	0.0

*includes shares from over-allotment option

€12.9M in Equity Financing: Quantum Genomics makes investor's hearts beat

Quantum Genomics is a biopharmaceutical company dedicated to the development of innovative therapies for cardiovascular diseases of unmet medical needs. The French company successfully completed a €11.2M public offering on Alternext Paris. The offering was a tremendous success among institutional and individual investors, who showed a strong interest in a company developing potential blockbuster drugs. The proceeds will allow Quantum Genomics to continue the clinical programs in hypertension and congestive heart failure. Their most advanced drug candidate, QGC001, will soon enter a Phase IIa trial in hypertension. The drug is a Brain Aminopeptidase A Inhibitor (BAPAls), a new class of molecules developed by the company for cardiovascular diseases, using a novel mechanism of action. Should the trial be successful, it would be the first proof of efficacy of BAPAls in human patients. We adjusted Quantum Genomics' valuation to €8.59/share following the offering and subsequent dilution.

Public Equity Offering oversubscribed 3.4 times

On January 27th, 2015, Quantum Genomics launched its first public equity offering. Since April 2014, the company was listed on the stock market but on the private placement exchange of Alternext Paris. The company announced on February 13th, 2015, that it successfully raised €11.2M with the issuance of 1,782,500 new shares after full exercise of the extension option. The stock was 2.1 times oversubscribed from institutional investors and 14.8 times from individual investors, demonstrating strong demand for Quantum Genomics and its drug candidates. The price of the offering was set at €6.30, the upper limit of the indicated price range. Quantum Genomics granted Invest Securities an over-allotment option that was fully exercised on February 24th, 2015 for €1.7M.

Following the operation and excluding the over-allotment option, the Tethys fund, held by the Bettencourt-Meyers family office, now possess 11.5% of Quantum Genomics' shares. In December 2014, Quantum Genomics raised €3M through bond financing from the Tethys fund, which has been fully reimbursed with the 2015 equity offering.

The proceeds will mostly be used to complete QGC001's phase IIa clinical trial.

QGC001 proof of efficacy in humans expected Q4-2016

Quantum Genomics has already demonstrated QGC001's ability to control blood pressure in animal models, including resistant hypertensive rats. In the Phase IIa trials soon to begin, the company intends to confirm these results on patients with Essential Hypertension (Grade I and II). The



Quantum
Genomics

Euronext since January 1st, 2015

Quantum Genomics	+30.0%
Alys France*	+24.6%
CAC 40	+14.3%
Next Biotech	+27.6%
CAC Pharma & Bio	+17.8%
Alternext All Shares	+9.0%

*Index of French smallcaps (less than €1B market cap) in the healthcare and life sciences sector listed on Euronext Paris. See <http://www.aurgalys.com/aurgalys-indices/>

Value of €58.9M for
Quantum Genomics

study is a randomized, double-blind, crossover trial, assessing QGC001 efficacy compared to placebo. Each patient will receive alternately QGC001 or placebo for 4 weeks, with a washout period of two weeks in between. Final results are expected at the end of 2016.

The primary endpoint will be QGC001's ability to reduce blood pressure, compared to placebo. Secondary endpoints will also be assessed, including drug safety, tolerability, and preliminary pharmacokinetics. 30 patients are expected to be enrolled in this study and it will take place in 4 French centers, labeled "centers of excellence" by the European Society of Hypertension (ESH), under the supervision of Dr. Michel Azizi from Hôpital Européen Georges Pompidou (Paris).

If results are successful, Quantum Genomics intends to license the drug at the end of the Phase IIa study to a major pharmaceutical player, which will be responsible for completing clinical development and for marketing QGC001. Such a strategy will allow the company to generate short term revenues through upfront and milestones payments.

A solid drug pipeline for cardiovascular diseases

Quantum Genomics has built a solid pipeline of drug candidates based on the BAPAI's mechanism of action. More specifically, the company is currently investigating different combinations of its lead drug QGC001 with other antihypertensive molecules. QGC011, the most advanced candidate of this program, is a combination of QGC001 with an Angiotensin Converting Enzyme Inhibitor, which has already shown promising results in preclinical studies. Such a combination is expected to generate a synergistic effect between the 2 drugs for blood pressure control.

Quantum Genomics is also developing a new generation of BAPAI's, with enhanced efficacy, intended to become "best-in-class" drugs. QGC006 has already shown it is ten times more potent than QGC001 in inhibiting the Aminopeptidase A. Pharmacokinetics and toxicology studies are being performed to confirm these preliminary results on animal models.

Finally, Quantum Genomics also studies QGC101 for the treatment of congestive heart failure. The company already signed a partnership with a major player in animal health for a potential application in dogs. Under the agreement terms, the partner will bear the costs for the study with a licensing option in animal health, while Quantum Genomics will retain ownership of the data generated from this study for human application. Since QGC101 is the same molecule as QGC001, the company would directly develop the heart failure drug in Phase II clinical trials.

Valuation of Quantum Genomics

Following Quantum Genomics's public offering, we adjusted our valuation to €58.9M (With an EV of €46.8M – unchanged from our coverage initiation report – estimated net cash of €12.7) or €8.59/share to take into account the cash raised and subsequent dilution from the increased number of shares (6,859,962 shares in total).

Upcoming news flow

- Q1-2015: Launch of QGC001 Phase IIa clinical trial
- Q2-2015: Preclinical results of QGC101 in congestive heart failure (Pharma partner)
- 2015: Optimization of the galenic and pharmaceutical form of QGC001
- 2015: Pharmacokinetics and toxicity results in rat for QGC011
- 2016: License agreement expected for QGC001

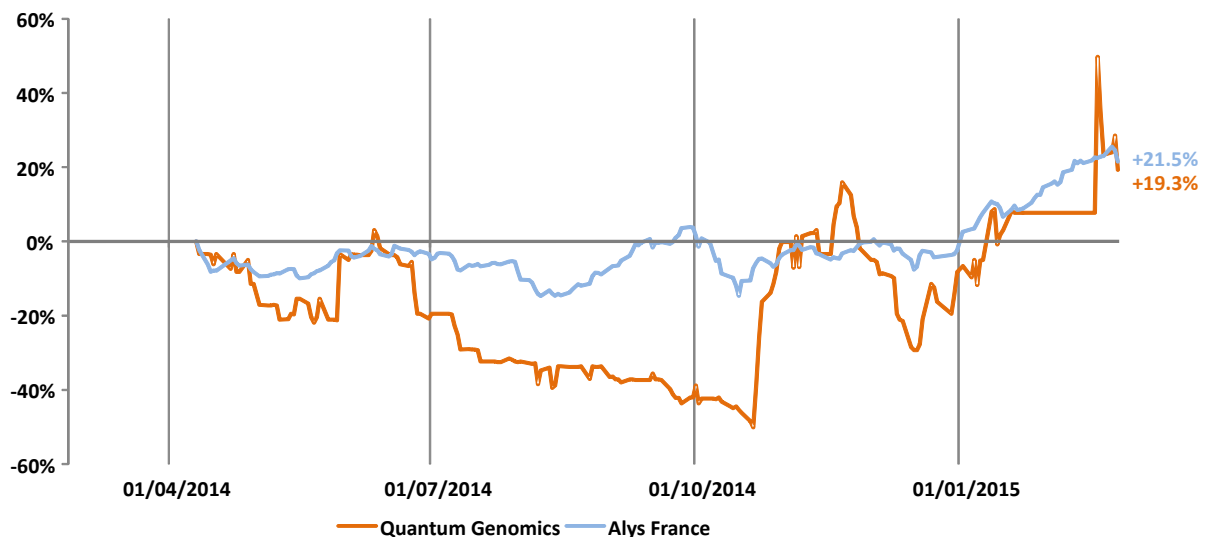


Figure 1: One-year chart dated February 25th, 2015, comparing the performance of Quantum Genomics' stock with French smallcaps of the life sciences and healthcare sector (Alys France Index) since the company's transfer to Alternext (April 10th, 2014).

Quantum Genomics [ALQGC] transferred its shares to Alternext on April 10th, 2014, and closed at €6.21 on its first day of trading. After reaching an all-time low of €3.10 on October 21st, 2014, Quantum Genomics' shares quickly recovered and closed at €5.70 on December 31st, 2014, an 8.2% decrease since its transfer to Alternext. This decrease should however be viewed in context considering the overall performance of the life sciences and healthcare sector, which suffered losses from a particularly difficult macroeconomic climate and international conflicts at the end of 2014. Many geopolitical issues such as the crisis in Ukraine, tensions in the Middle East, and the Ebola outbreak negatively impacted the stock markets. These events added to disappointing market results (decline in Germany's external trade, slowdown of the Chinese growth) and affected the confidence of investors who refocused their attention on less risky and volatile companies.

French Life Sciences and healthcare smallcaps showed a strong 24.6% performance since January 1st, 2015, while Quantum Genomics' shares were up 30.0% (closing at €7.41 on February 25th, 2015).

Résumé en français

Pour sa première offre au public, Quantum Genomics vient de susciter un très fort engouement de la part des investisseurs. Ce franc succès conforte la société dans sa stratégie qui est de développer une approche thérapeutique innovante pour le traitement des maladies cardiovasculaires aux besoins médicaux non satisfaits.

L'offre a été sursouscrite 2,1 fois auprès des investisseurs institutionnels et 14,8 fois par les investisseurs particuliers. Après exercice intégral de la clause d'extension et de sur-allocation, la société a ainsi levé 12,9M€ correspondant à l'émission de 2.049.875 actions nouvelles. A l'issue de cette opération, le fonds Téthys, Family Office de la famille Bettencourt-Meyers détient désormais 11,5% du capital de la société.

Le montant levé permettra la poursuite des programmes cliniques dans l'hypertension et l'insuffisance cardiaque, notamment l'étude de phase IIa du QGC001, médicament indiqué pour le traitement de l'hypertension artérielle résistante. QGC001, candidat le plus avancé de la société, est issu de la famille des Brain Aminopeptidase A Inhibitor (BAPAI), une nouvelle classe de médicaments développés par Quantum Genomics. La société qui souhaite renforcer son portefeuille dans le domaine des maladies cardiovasculaires, poursuivra également le développement préclinique de QGC011, QGC006 et QGC101, autres produits issus de la famille des BAPAI.

Suite à cette opération, nous avons ajusté notre valorisation de la société à 58,9M€, soit 8,59€/action. Cette valorisation tient compte de la trésorerie de la société et de la dilution liée à l'émission des 2.049.875 actions nouvelles.

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About Aurgalys indices

Aurgalys launched on October 2013, the Alys France index measuring the performance of the 40 French smallcap companies (less than €1B of market capitalization) listed on Euronext/Alternext Paris. Three other indices also measure the performance of companies dedicated to the development of therapeutic molecules (Alys Therapeutics), diagnostic tests (Alys Diagnostic) and medical devices (Alys Medtech). You can find our reports on our website at <http://www.aurgalys.com/aurgalys-indices/>



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