

Research

Poland | Equity Research

Ryvu Therapeutics

Buy

(Recent: Restricted)

Targeting high value strategy

Ryvu is one of the Top Players on Polish biotech market with a perspective of important clinical and business news flow in upcoming months. SEL24 (MEN1703) project developed in collaboration with Menarini in Phase 2 showed efficacy signals in the IDH mutant patient population is projected to end the current clinical phase in 2023. RVU120 project is continuing the Phase 1 clinical trial in the field of AML and high-risk MDS reporting promising signals of activity and a favourable safety profile. We assume additional RVU120 clinical data in AML/MDS from oncology conferences in 1H23. In our opinion, the scientific potential of RVU's Synthetic Lethality platform with early pipeline projects deals covered by two partnering agreements with top EU and US Pharma players in 2022 significantly increases the recognition of RVU and will led to the next partnerings in 2023. Taking into account the perspective of next clinical updates and potential licencing agreements, we resume our recommendation for Ryvu Therapeutics with a "Buy" and target price TP12M PLN 85.1/share (59% upside).

Important news flow period for Ryvu ahead. In our view, upcoming months still will be an important period of news flow regarding Ryvu's R&D activity. In 1H23, several oncology conferences will be held in which Ryvu may feature its data, including AACR, ASCO, and EHA. The RVU's RVU120 clinical data presentation will depends on Ryvu data availability and the decisions of conference organizers, however, we assume that Ryvu will present the clinical update on at least one conference with a possibility of further evaluation of project safety profile and signs of efficacy. In the early pipeline, we identify the possibility of finishing the discovery stage of PRMT5 inhibitor with next projects reaching the preclinical stage in mid-2023. Ryvu is also working on 6 undisclosed synthetic lethality targets that are currently in the stage of validating molecular targets in various cancers. For novel targets, we assume that company could provide new validated hits in 2022. The selection of novel SL drug candidates would represent a significant upside to the current Ryvu valuation.

De-risking and business broadening scenarios for RVU120 in additional clinical launches. Ryvu is developing RVU120 as a monotherapy in relapsed/refractory AML / HR-MDS and in solid tumors (various subtypes). In our opinion, the RVU120 clinical readouts and orphan drug status granted from FDA represents features of important therapeutic benefit in AML and in particular to those refractory/relapsed AML patients with the poorest clinical prognosis. We assume that those aspects will support the FDA's accelerated approval and provide the fast market registration of RVU120 as a monotherapy in 2025. As a part of business s broadening scenarios for RVU120, we assume that Ryvu will start additional Phase 2 combo expansion study of RVU120 in combination with preclinically validated synergistic drugs in 2023. The possible market launch of RVU120 as a combination therapy we estimate in 2028. We also do not exclude other therapeutic indications for the project - next clinical launches of RVU120 may include MDS/ MPN overlap syndrome or low-risk MDS, both clinical studies may also start in 2023.

RVU120 – potential of over EUR 560m partnering value. In our opinion, strategy of RVU120 partnering at the registration stage could provide significantly higher partnering transaction values than commercialisation of the project in advanced Phase 2 or after Phase 2 completion. For RVU120 project, we assume the possible partnering time frame for partnering conclusion in 1H25 at the stage of registration procedure in AML/MDS monotherapy indication with the potential upfront payment of EUR 160m and additional market launch payment of EUR 300m. We estimate total possible milestone payments for RVU120 in AML/MDS monotherapy, combination therapy and solid tumours studies at EUR 320m with payments for completion of registration stages at EUR 560m.

Two partnerings with Pharma top players boosted the value of Ryvu. In 2022, two of Ryvu's early pipeline projects were covered by partnering agreements with one of the biggest transaction values in Polish biotech market history. In July, Ryvu and the US company Exelixis (NASDAQ: EXEL) have entered into an license agreement with over USD 400m in biodollar value to develop innovative targeted therapies using Ryvu's STING (STimulator of IInterferon Genes) technology. In November 2022 Ryvu also announced a worldwide collaboration agreement with BioNTech for the development and commercialization of Ryvu's STING standalone project and undisclosed projects from immunooncology platform. Under the terms of collaboration, Ryvu received a EUR 20m upfront payment and will be eligible to receive up to an additional EUR 876m in potential milestones plus single-digit royalties .

The first capital investment of the Top Pharma player, first payments for the completed research. BNTX's decision of EUR 20m investment was the first transaction throughout Polish listed biotech's in which Big Pharma became a capital investor. At the end of January 2023, Ryvu informed about achievement of the first milestone under licence agreement with Exelixis with milestone payment of USD 1m. In our opinion, the capital investment of BNTX indicates the willingness to high scientific potential and competence of RVU, as well as the partner's long-term commitment to the development of all projects implemented by RVU. In addition, the payment received from Exelixis within seven months of signing the contract confirms the high involvement of the RVU staff and exceeds our assumptions regarding the first payments from contact with EXEL. We assume that in 2023 RVU will be entitled to further payments for cooperation (we assume USD 3m in 2023).

Pharma eye on Synthetic Lethality discovery area. Due to personalized medicine approach supported by the latest technologies (CPRISPR, AI), synthetic lethality places in the area of Big Pharma partnering transactions. In 2022, Repare Therapeutics announced a worldwide license and collaboration agreement with Roche for camonsertib with an USD 125m upfront payment (total transaction value of USD 1.2bln). Also 2022, Ideaya Biosciences entered into clinical trial collaboration and supply agreement with Amgen to clinically evaluate IDE397. In our opinion, the global Big Pharma trend on focusing on innovative oncology treatment, especially in novel SL area, may lead to next partnering transactions on Ryvu SL project. We assume, that up to the end of 1H23 Ryvu would sign a collaboration partnering contract with low, single digit upfront payment (we estimate EUR 3-5m) with a total biodollar value of EUR 350-400m.

Valuation. We estimate the 12M TP target price of Ryvu's shares at PLN 85.1 / share (+ 59% upside) using the sum-of-the-parts (SOTP) method for R&D projects valuated by the rNPV method. In our valuation we also include R&D costs, Ryvu's secured cash and funds obtained from shares issue obtained in two tranches—concluded SPO and one additional tranche possible in 2023/2024 with net cash inflow of PLN 308.6 (net value, including share issue costs).

Risk factors. The most important risk factors include: 1) resignation from current partnering agreements or failure to sign further contracts, 2) failure in the development of new drug projects, 3) failure to obtain subsidies for further projects or limited availability of subsidies, 4) increase in competition on research platforms. A more detailed description is on page 73.

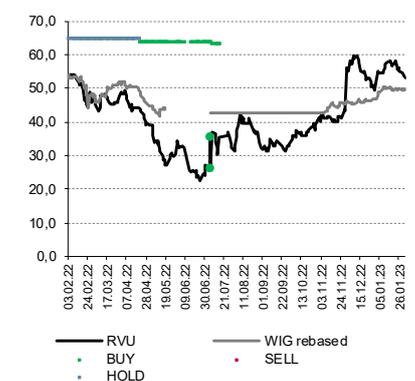
Target Price: 85,1 PLN

Upside potential: 59%

FACT SHEET

Ticker	RVU		
Sector	BioTech & MedTech		
Price (PLN)	53,40		
52wk Range (PLN)	22,2 / 60,5		
Number of share (m)	23,1		
Market Cap (mPLN)	1 235		
Free-float	60,8%		
Avg Vol 3M (mPLN)	0,54		
Price performance	1M	3M	1Y
	1,7%	29,0%	-0,4%

RELATIVE SHARE PRICE PERFORMANCE



RECOMMENDATION HISTORY

Recommendation	Date	Price
Restricted	10.12.2022	-
Restricted	22.10.2022	-
Restricted	22.08.2022	-
Buy	20.07.2022	64
Buy	08.07.2022	63
Suspended	07.07.2022	-
Buy	20.04.2022	64
Hold	08.12.2021	65

SHAREHOLDERS

Shareholder	Share %
Paw el Przew iężlikowski	17,7%
Allianz OFE	6,6%
NN OFE	6,6%
Other	60,8%

IMPORTANT DATES

2022 report	16.03.2023
1Q23 report	16.05.2023
1H23 report	13.09.2023
3Q23 report	29.11.2023

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Definitions

capitalisation – market price multiplied by the number of a company's shares

free float (%) – a percentage of a company's shares held by shareholders with less than 5% shareholding reduced by treasury shares held by the company

min/max 52 wks – minimum/maximum share price within the last 52 weeks

average turnover – average volume of share trading within the last month

EBIT – operating profit

EBITDA – operating profit increased by depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

capex – sum of investment expenditures on fixed assets

OCF – cash generated through the operational activities of the company

FCF – cash generated by the company after taking into account outflows to support operations and retained capital

ROA – rate of return on assets

ROE – rate of return on equity

NWC – net working capital

Cash conversion cycle – period from the moment of expenditure of cash for the purchase of production factors until the moment of receipt of cash revenues from the sale of manufactured goods or services.

Gross profit margin – a ratio of gross profit to net revenue

EBITDA margin – a ratio of sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – a ratio of operating profit to net revenue

net margin – a ratio of net profit to net revenue

EPS – earnings per share

DPS – dividends per share

P/E – a ratio of market price to earnings per share

P/BV – a ratio of market price to book value per share

EV/EBITDA – a company's EV to EBITDA ratio

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, dividend paid to share price ratio

RFR - risk-free rate

WACC - weighted average cost of capital

ISSUER – Ryvu Therapeutics S.A

Recommendations of the Brokerage House

BUY – we expect that the rate of return on an investment will be at least 10%

NEUTRAL – we expect the price of an investment to be relatively stable, optionally it will increase no greater than 10%

SELL – we expect that an investment will make a loss greater than 0%

Recommendation prepared by: Katarzyna Kosiorek

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