

Ryvu Therapeutics

New partnering boosting the value of R&D pipeline

Ryvu Therapeutics achieved a period of intense clinical and business newsflow. The SEL24 / MEN1703 project, developed in collaboration with Menarini, continues Phase I / II clinical trials in the field of AML, showing good efficacy signals in the IDH mutant patient population. The RVU120 project is continuing the Phase I clinical trial in the field of AML and MDS reporting promising signals of activity and a favourable safety profile. Ryvu still has a perspective of important clinical newsflow - we assume that the next key information about Ryvu's R&D projects may appear in the coming months, among others completion of the current SEL24 / MEN1703 clinical phase, milestone payments from Menarini, as well as additional RVU120 clinical data and selection of new clinical candidates. In our opinion, the new research collaboration with the Exelixis significantly expands the Ryvu project pipeline and provides another strong stream of research funding. Taking into account the latest update of the company's clinical results, the addition of a new cooperation agreement, we are resuming issuing recommendations for Ryvu Therapeutics with the recommendation "Buy" and the target price TP12M PLN 63.4 / share (80% upside).

New partnering transaction boosting the value of Ryvu pipeline. On 6.07.2022. Ryvu and the US company Exelixis (NASDAQ: EXEL) have entered into an exclusive license agreement to develop innovative targeted therapies using Ryvu's STING (STimulator of INterferon Genes) technology. Exelixis intends to include Ryvu small molecule compounds in innovative oncological targeted therapies such as antibody-drug conjugate (ADC). Ryvu will provide expert support and know-how at an early stage of research, and after selecting each clinical candidate Exelixis, he will be responsible for its development and commercialization. Ryvu will also retain all rights to develop and commercialize its portfolio of standalone small molecule STING agonists.

One of the largest transactions on the Polish biotech market. Under the cooperation with Exelixis, Ryvu will be entitled to receive payments totalling approximately 400 USDm (approximately PLN 1.9 billion) for reaching milestones in the development, market and commercialization stages for each potential product developed under the agreement. **1) Upfront:** Ryvu will receive an upfront payment of 3 USDm (approx. 14 PLNm) from Exelixis in exchange for granting a license to certain rights to STING small molecule agonists. **2) milestones:** up to minimum 16mln USD near-term milestones for achieving the completion of preclinical stage of development; **3) Royalties:** RVU will be entitled to one- to low double-digit royalties on the annual net sales of all products that will be successfully commercialized through the companies collaboration. The concluded agreement is one of the largest cooperation agreements concluded by Polish biotech companies in terms of value - the value of the RVU & EXEL agreement is greater than the RVU & Menarini agreement and similar to the value of MOC & GLPG partnering, although it was concluded at an earlier stage of development project (Drug Discovery stage vs Phase I clinical trials)

The potential of new ADC therapies and the option of RVU's own R&D project. Projects covered by EXEL cooperation include the development of ADC projects, i.e. drug-antibody conjugates, which entails the need to develop a new type of molecules that will have to go through Drug Discovery and preclinical research development phase. We emphasize that as part of the cooperation, a new type of drug candidates will be developed, and the concluded contract concerns the payment for each project that will be developed as part of the RVU & EXEL cooperation. The financial terms of the cooperation shown include payments for upfront and milestones only, RVU will additionally be entitled to receive royalties for each project that eventually hits the market. As a result, the potential stream of royalties payments may, in our exceed your milestones payments.

Partnering potential of STING agonists translates to significant payments option. In our opinion, the market potential of STING agonists as an important new approach in the immuno-oncology therapies leads to significant partnering payments - in our valuation assumptions for the partnering contract for the STING agonist project (without the ADC option) we assumed EUR 5 million of upfront payment payments with the 2023 timing, and EUR 177 million in payments for milestones (project valuation at PLN 84 million, ie PLN 4.6 / share). The transaction values of the RVU & EXEL cooperation, which in our assumptions will appear as a new project in the RVU pipeline, are almost twice as high as our assumptions.

Valuation. Signing a partnering agreement enables the introduction of a new project to the pipeline and reduces the costs of own development of RVU projects, which in our model assumptions implies the valuation of the STING agonist project (own RVU project and Exelixis cooperation) at the level of approximately PLN 189 million (PLN 10.2 / share) with the overall valuation of TP 12M at PLN 63.4 / share. In our valuation, we put several updates including recent clinical updates for RVU120 and SEL24/MEN1703 as well as adjustments regarding macro- and geopolitical situation in Poland.

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 24.

m In PLN	2019	2020	2021	2022F	2023F	2024F
Revenues	33,7	37,0	37,1	85,3	172,8	76,2
EBITDA	-37,4	-23,3	-65,3	-28,7	44,6	-46,6
EBIT	-45,4	-35,6	-77,9	-41,7	32,8	-57,6
Net profit	-45,2	-31,7	-77,5	-38,0	26,9	-45,4
EPS (PLN)	-2,83	-1,95	-4,23	-2,07	1,47	-2,48
P/E (x)	-	-	-	-	17,8	-
EV/EBITDA (x)	-	-	-	-	12,1	-

Source: Company data, Trigon DM

Buy

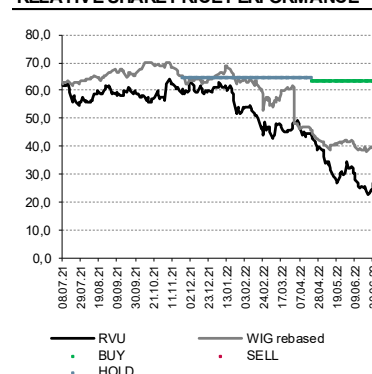
(Recent: Under review)

Target Price: 63,4 PLN
Upside potential: 80%

FACT SHEET

Ticker	RVU
Sector	BioTech & MedTech
Price (PLN)	35,20
52wk Range (PLN)	22,2 / 66,8
Number of share (m)	18,4
Market Cap (mPLN)	479
Free-float	44%
Avg Vol 3M (mPLN)	0,36
Price performance	1M 3M 1Y
	-19,7% -44,5% -59,5%

RELATIVE SHARE PRICE PERFORMANCE



RECOMMENDATION HISTORY

	Date	Price
Under review	07.07.2022	-
Buy	20.04.2022	64
Hold	08.12.2021	65
Hold	23.11.2021	65

SHAREHOLDERS

	Share %
Paweł Przewiężlikowski	22,2%
NN OFE	9,7%
Aviva Santander OFE	7,8%
Augebit FIZ (TFI Forum)	6,2%
PZU Złota Jesień	5,6%
Bogusław Sieczkowski	5,0%
Other	43,5%

IMPORTANT DATES

1H22 report	07.09.2022
3Q22 report	23.11.2022

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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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